



Mains Practice Question

Q. What do you understand by interim budget? How is it different from the annual budget? (150 words)

07 Feb, 2019 GS Paper 3 Economy

Approach:

- Introduce by explaining what an interim budget means.
- Discuss the needs for presenting interim budget.
- Elaborate on how an Interim budget is different from full-fledged annual budget.

Introduction

- Interim Budget, also known as 'a vote on account', essentially means that the government seeks the approval of Parliament for meeting expenditure for the first four months of the fiscal year (April-March) — paying salaries, ongoing programmes in various sectors etc — with no changes in the taxation structure, until a new government takes over and presents a full Budget that is revised for the full fiscal.
- However, over the years, some governments have made policy announcements or tweaked tax rates in the vote on account.

Body

Why interim budget is presented:

- The reasoning is that there is little time to get approvals from Parliament for various grants to ministries and departments and to debate these as well as any provisions for changes in taxation.
- More important reasoning is that it would be the prerogative of the new government to signal its policy direction, which is often reflected in the Budget.

Interim budget is different from annual budget in following ways:

- In an interim Budget, the vote-on-account seeks parliament's nod for incurring expenditure for part of a fiscal year. However, the estimates are presented for the entire year, as is the case with the regular Budget. However, the incoming government has full freedom to change the estimates completely when the final Budget is presented.
- A Full Budget is not just the presentation of annual finances of the government but an occasion to change existing tax slabs, announce new schemes and sops for different sectors of the economy. A Full Budget includes the passage of a finance bill to get Parliament's approval for any tax related changes
- As a convention, a vote-on-account is treated as a formal matter and passed by Lok Sabha without discussion. But passing for full budget happens only after discussions and voting on demand for grants.
- Interim budget is only about the outgoing Government's income and expenses made during the last year and also to seek the Parliament's nod for the expenses proposed to be made in the next few months. While a budget on the other hand is a full annual budget and will include the report card for the last year, income and expenses to be made in the next financial year through taxes

and welfare measures and also any sector wise sops.

Conclusion

- So, starting 1948, when Finance Minister R K Shanmukham Chetty presented a vote on account and followed it up with Independent India's first regular budget, most governments have followed this convention.
- Many Finance Ministers, including two who went on to become President, R Venkataraman and Pranab Mukherjee, noted in their interim Budgets how constitutional propriety calls for the new government to formulate the tax and expenditure policies for the next fiscal year. But a distinction is sought to be made between a government that is expected to continue in office and a scenario where polls are to follow.

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