

FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT RULES, 2004

i. i801 No. 2801 Rūo-33004/99 REGD. NO. D. L.-33004/99 Che Gazette of •tidia 1. EXTRAORDINARY PART 11—Section 3—Sub-section (i) PUBLISHED BY AUTHORITY 2, 11, 1926 NEW DELHI, FRIDAY, JULY 2, 2004/ASADHA 11, 1926 2 2004 Wf.mfi. 395(q).— 2003 (2003 39) 1 (3) 5 2004 31frfiqqY47ūāT11 fir. æt. MINISTRY OF FINANCE (Department of Economic Affairs) NOTIFICATION New Delhi, the 2nd July, 2004 G.S.R. 395(E).—In exercise of the powers conferred by Sub-section (3) of Section 1 of the Fiscal Responsibility and Budget Management Act, 2003 (39 of 2003), the Central Government hereby appoints the 5th day of July, 2004 as the date on which the said Act shall come into force. [F. No. M. PRASAD, Jt. secy. 2 2004 2003 (2003 39) 8 grqr gg t. 2. 2004 i (2) 5 2004 I G) 2003 (2003 39) ; (1) 2031 GI/2004 2 (u) (u) (e) GAZETTE OF INDIA : EXTRAORDINARY "trrqy" ; PART .11—SEC. 3 i (1) 4 (1) 31 qrā, 2008 2004-2005 3*-« 05 20040005 -t 0.3 uT a, 31 2008 3ia I (3) 2004-2005 0.5 \$1 (4) 2004-2005 -0 4. 3-1Y (ii) \$1 ; (iii) ; (iv) [9FT11—aÜS3 i] 3 -\$ fā-g (2) (1) 2006-2007 2004-2005 (ii) (iii) -Oft -+ fäg Q52FT 4 l. 2

3. GAZETTE OF INDIA : EXTRAORDINARY 11—SEC. (ii) (iii) 5 (ii) 71. I *-zrt aft (ii) 4 cJ/oq -2 THE GAZETIE OF EXTRAORDINARY fäg 13) \$ fäg 40 ; 45 -Q ; 45 tTTRT 7 \$t (2) (3) 2. 3. 4. 11 8 GAZETTE OF INDIA : EXTRAORDINARY (qrQ) ART 11—SEC.3 - Rqhé 1 (u) 2 3 4 5 6 8 (u) 10 1 3, 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 18. 19. 20. 21. 1993-94 ..3fØ (9+ 13) q10+14) (12+15) (17-1) (20-11) 9 iiiäiii 0020 0021 0037 0038 0044 203? GT/oq 10 GAÆTTE OF : EXTRAORDINARY fäg [PART n—SEC. 11 (VO Rio) 6 qt7fi 7 (VO 8 9 10 11 12 GAZETTE OF INDIA : EXTRAORDINARY (firq•q 6 [PART 11—SEC. 3(i)] at-a •3-F+J (2) RR-TT 13 NOTIFICATION New Delhi, the 2nd July. 2004 G.S.R. 396(E).— In exercise of the powers conferred by section 8 of tne Fiscal Responsibility and Budget Management Act, 2003 (39 of 2003), the Central Government hereby makes the foliowing ruésr namely:

1. Short title and commencement . (1) These rules may be caåled the Fiscal Responsib"ity and Budget Management Rules, 2004. (2) They shaü come Into force on the 5th day of July, 2004

2. Definitions In these rules, unless the context otherwise requires, (a) "Act" means the Fiscal Responsibility and Budget Menagement Act, 2003 (39 of 2003); (b) "Form" means a form appended to these ruies; (c) "GDP" means gross domestic product at current prices; (d) "section" means a section of the Act; (em words and expressions used herein but not defined and defined in the Act shall have the meanings respectively assigned to them in the Act

3. Annual ttrgets - (1) In order to achieve the target of revenue deficit as set out in sub-section (1) of section 4, by the 31 st day of March r 2008, the Centra' Góvèrnment Shal! reduce such deficit by an amount equivalent to 0.5 per cent or more of the GDP at the end of each financial year, begfnning with the financial year 2004-2005. (2) The Central Government shar' reduce the fiscai deficit by an amount equivalent to 0.3 per cent or more of tte GDP at the end of each financial 14 THE GAZETTE OF INDIA : EXTRAORDINARY year beginning with the financial year 2004-2005, so thåt fiscal deficit is brought down to not more than 3 per cent of GDP at the end of 31 st day of March, 2008, (3) The Centra' Government shall not give guarantees aggregating to an amount exceeding 0.5 per cent of the GDP in any finanta[year beginning with the financial year 2004-2005. (4) The Central Government shall not assume additional liabilities (including external debt at current exchange rate) in excess of 9 per cent of GDP for the financial year 2004-2005 end fn each subsequent financial year, the limit of 9* per cent of GDP Shail be progressively reduced by at least one percentage öoint of GDP. Medium Term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macro Economic Framework Statement The Medium Term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macro-Economic Framework Statement required to be laid before both Houses of Parliament by the Central Government along with the annuai financial statement and demands for grants shaii be in Forms F-1, FQ and F-3 respectieiy

5. Fiscal Incficators r- (1) In the Medium Term Fiscal Pokicy Statement, three year roiling targets fn respect of the following fiscal indicators shall be as given in Form F-1, namely;- (i) revenue deficit as a percentage of GDP; fiscal deficit as a percentage of GDP; (jii) tax revenue as a percentage of GDP; and (iv) total outstanding liabi4ities of the Central Government as a percentage of GDP.(2) The

Fiscal Policy Strategy Statement in Form F-2 shall also contain the intra-year benchmarks for assessing the trends in receipts and expenditure relating to annual targets and Budget Estimates

6. Disclosures , (1) In order to ensure greater transparency in its fiscal operation in the public interest, the Central Government shall, at the time of 215 presenting the annual financial statement and demands for grants, make disclosures of the following:- any significant change in accounting standards, policies and (a) practices affecting or likely to affect the computation of prescribed fiscal indicators. statements of receivables and guarantees in Forms D-1 to D-3. (b) a statement of assets in Form D-4. (c) (2) The provisions of sub-rule (1) shall be complied with not later than with the presentation of the annual financial statement and demands for grants for the financial year 2006-2007. Measures to enforce compliance . In case the outcome of the quarterly review of trends in receipts and expenditure, made under sub-section (1) of section 7, at the end of second quarter of any financial year beginning with the financial year 2004-2005 shows that - (i) the total non-debt receipts are less than 40 per cent of Budget Estimates for that year; or (ii) the fiscal deficit is higher than 45 per cent of the Budget Estimates for that year; or (iii) the revenue deficit is higher than 45 per cent of the Budget Estimates for that year, then, (a) as required under sub-section (2) of that section, the Central Government shall take appropriate corrective measures; and (b) as required under sub-section (3) of that section, the Minister-in-charge of the Ministry of Finance shall make a statement in both Houses of Parliament during the session immediately following the end of the second quarter detailing the corrective measures taken, the manner in which any supplementary demands for grants are proposed to be financed and the prospects for the fiscal deficit of that financial year. 16 A. 1. 2. 2

4. THE GAZETTE OF EXTRAORDINARY Form F-1 [See rule 4 MEDIUM TERM FISCAL POLICY STATEMENT {PART II—SEC. 3(i Fiscal Indicators Rolling Targets Current Year Estimates Revenue Deficit as percentage of GDP Fiscal Deficit as percentage of GDP 3. Tax Revenue as percentage of GDP) 4. Total Outstanding Liabilities as percentage- of GDP Ensuing year Targets for next Target: Budget Estimates Two years B. Assumptions underlying the Fiscal Indicators - Revenue receipts (a) Tax-revenue - Sectoral and GDP growth rates (b) Non-tax-revenue - Policy stance (c) Devolution to States - Finance Commission Capital receipts - Debt stock, repayment, fresh loans and policy stance (a) Recovery of loans (b) Other receipts (c) Borrowings - Public Debt and Other Liabilities Total expenditure Policy Stance (a) Revenue account (i) Interest payments (ii) Major subsidies- (iii) Others (b) Capital account (i) Loans and advances (ii) Capital outlay GDP Growth C. Assessment of sustainability relating to - The balance between revenue receipts and revenue expenditure. The Medium Term Fiscal Policy Statement may specify the tax-GDP ratio for the 17 current year and subsequent two years with an assessment of the changes required for achieving it. It may discuss the non-tax revenues and the policies concerning the same. An assessment of the capital receipts may be made, including the borrowings and other liabilities, as per policies spelt out. The statement may also give projections for GDP and discuss it on the basis of assumptions underlying the indicators. Expenditure on revenue account, both plan and non-plan, may also be made with particular emphasis on the measures proposed to meet the overall objectives. (ii) The use of capital receipts including market borrowings for generating productive assets. The Medium Term Policy Statement may specify the proposed use of capital receipts for generating productive assets in different categories. It may also spell out proposed changes among these categories and discuss it in terms of the overall policy of the Government in achieving the national objective. Form F - 2 See rule 4] FISCAL POLICY STRATEGY STATEMENT A : Fiscal Policy Overview: [This paragraph will present an overview of the fiscal policy currently in vogue.] B : Fiscal policy for the ensuing financial year: [This paragraph shall have five sub-paragraphs dealing with - (1) Tax Policy In the sub-paragraph on tax policy, major changes proposed to be introduced in direct and indirect taxes in the ensuing financial year will be presented. It shall contain an assessment of income tax exemption limits and how far it relates to per capita income, principles regarding tax exemptions and target group for exemptions. (2) Expenditure Policy Under expenditure policy if major changes proposed in the allocation of expenditure shall be indicated. It shall also contain an assessment of principles regarding the benefits and target group of beneficiaries. (3) Government Borrowings, Lending and Investments. In this sub-paragraph on Government borrowings, the policy relating to internal debt, external debt, Government lending, investments and other 18 THE GAZETTE OF : EXTRAORDINARY [PART II—SEC. activities; including principles regarding average maturity structure, bunching of repayments, etc., shall be indicated. (4) Contingent and other

Liabilities. Any change in the policy on contingent and other liabilities and in particular guarantees which have potential budgetary implications shall be indicated. (5) Pricing of Administered Goods, Any change proposed in the pricing of administered products, including the progress towards market-based principles shall be spelt out.] C : Strategic priorities for the ensuing year: [(1) Resource mobilization for the ensuing financial year through tax, non-tax and other receipts shall be spelt out. (2) The broad principles underlying the expenditure management during the ensuing year shall be spelt out. (3) Priorities relating to management of public debt proposed during the ensuing year shall be indicated.] D : Rationale for Policy changes : [(1) The rationale for policy changes consistent with the Medium Term Fiscal Policy Statement, in respect of direct and indirect taxes proposed in the ensuing Budget shall be spelt out. (2) The rationale for major policy changes in respect of budgeted expenditure including expenditure on subsidies shall be indicated. (3) Rationale for changes, if any, proposed in the management of the public debt shall be indicated. (4) The need for changes, if any, proposed in respect of pricing of administered goods shall be spelt out.] E : Targets for the ensuing year [At the end of the second quarter, a mid-year assessment shall be made of the trends in receipts and expenditures and achievement of targets of deficit reduction in relation to Budget Estimates. In case the total non-debt receipts are less than 40 per cent of Budget Estimates for that year; or the fiscal deficit is higher than 45 per cent of the Budget Estimates for that year; or the revenue deficit is higher than 45 per cent of the Budget Estimates for that year * the Central Government shall take action as required under sub-sections (2) and (3) of section 7.] F: Policy Evaluation: [This paragraph shall contain an evaluation of the changes proposed in the fiscal policy for the ensuing year with reference to fiscal deficit reduction and objectives set out in the medium term fiscal policy statement] Form F- 3 See rule 4] MACRO ECONOMIC FRAMEWORK STATEMENT Overview of the Economy: [This paragraph shall contain a synoptic 1. analysis of trends in growth rates, prices, output, external sector, money and Information on key macro-economic indicators will be capital markets, presented in the format appended.] GDP Growth} [This paragraph shall contain an analysis of trends in 2. overall GDP growth and its sectoral composition.] External Sector: [Under this paragraph, trends in exports, imports, 3. foreign exchange reserves, current account balance and balance of payments shall be presented.] [This paragraph shall Money, Banking and Capital Markets: 4. present an account of the trends in money supply, bank deposits and credit and developments in the capital market.] Central Government Finances: [Under this paragraph an analysis 5. of trends in revenue collections and expenditure shall be presented. Trends in Important fiscal deficit and debt indicators shall also be presented* Trends in Central Government finances shall be presented in the format appended.] Prospects: [Based on the trends in major sectors presented in the 6. previous sections, an assessment shall be made regarding the growth prospects, along with the underlying assumptions.] 20 1 (a) (b) 2 5 6 (a) (b) 7 (a) (b) 8 9 (a) (b) 10 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 TI-E GAZETTE OF INDIA : EXTRAORDINARY F-3(Contd) Macro Economic Framework Statement Economic Performance at a Glance —SEC. 3(i)] [PART 11 Absolute Value Percentage Changes April-Reporting period* ' April-Reporting period* Previous Year Current Year Previous Year Current Year Real Sector GDP at factor cost at current price at 1993-94 price Industrial of Index Production Wholesale Price Index (point to point) Consumer Price Index Money Supply (M3) Imports at current prices In Rs. Crore In US \$ million Exports at current prices In Rs. Crore In US \$ million Trade Balance Foreign Exchange Assets In Rs, Crore In US \$ million Current Account Balance Government Finances Revenue Receipts Tax Revenue(Net) Non-Tax Revenue Capital Receipts(5+6+7) Recovery of loans Other Receipts Borrowings and other liabilities Total Receipts(i+4) Non-Plan Expenditure Revenue Account Of which: Interest payments Capital Account Plan Expenditure Revenue Account Capital Account Total Expenditure(9+13) Revenue (10+14) Capital (12+15) Expenditure Expenditure Revenue Deficit (17-1) Fiscal Deficit {16-(1+5+6)} Primary Deficit (20-11) relate to the period up to which information for the current year is available. To facilitate comparison, data of previous year corresponds to the same period of current year. Accordingly, reporting period may vary for different items. 21 0020 0037 0038 Note : Form D - 1 See rule 6 TAX REVENUES RAISED BUT NOT REALISED (principal taxes) (As at the end of the reporting year) Taxes on Income & Expenditure Corporation Tax Taxes on Commodities Services Customs Union Excise Service Tax TOTAL Reporting year refers to the second year preceding the year for which the annual financial statement and demands for grants are presented. <Tloq-6 OF INDIA : EXTRAORDINARY Form D - 2 See rule 6 ARREARS OF NON-TAX REVENUE [PART 11—SEC. (As at the end of the reporting year)

Description Fiscal Services Interest receipts Of which From State Governments and Union Territory Governments From Railways From Departmental Commercial Undertakings From Public Sector & other Undertakings viViuéiiuS äiiu Yi-üli'S General Services Police receipts Economic Services Petroleum Cess/Royalty Communications (License Fee) Receipts Other Receipts Total 0-1 Amounts pending (Rs. crore) ears 1-2 ears 2-3 ears above 5 ears Total Note : Reporting year refers to the second year preceding the year for which the annual financial statement and demands for grants are presented. Form D-3 [See rule 6] Guarantees given by the Government Class (No. of Guarantees Within bracket) 1 Maximum Amount Guaranteed during the year Rs. crore 2 Outstanding at the beginning of the year (Rs. crore) Additions during the year (Rs. crore) 4 Deletions (other than invoked) during the year Rs. crore 5 Invoked during the year Rs. crore 3 Outstanding at the end of the year Guarantee Commission or Fee Rs. crore Other Material Details Note: The year in the above table refers to the second year preceding the year for which the annual financial statement and demands for grants are presented. 24 Physical assets: Land Office Residential Roads Bridges Irrigation Projects Power projects Other capital projects Machinery & Equipment Office Equipment Vehicles Total Financial assets: Equity Investment Shares Bonus shares Loans and advances Loans to State & UT Govts. Loans to Foreign Govts. Loans to companies Loansto others Other financial investments Total Notes: OF INDIA : EXTRAORDINARY See rule 6 ASSET REGISTER Assets at the beginning of the reporting year Cost (Rs.cr) Assets acquired during the-reporting year Cost (Rsecr) [PART 11--SEC.301 Cumulative total of assets at the end of the reporting ear Cost (Rs.cr) 1. Assets above the threshold value of Rupees two lakh only to be recorded

2. This disclosure statement does not include assets of Cabinet Secretariat, Central Police Organizations, Ministry of Defence, Departments of Space and Atomic Energy

3. Reporting year refers to the second year preceding the year for which the annual financial statement and demands for grants are presented.[F. No. M. PRASAD, Jt secy. Printed by the Govt. of India Road, Mewar, New Delhi-110054 and Printed by the Govt. of India Publications, Delhi-110054.