

TRIPURA FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT, 2005

TRIPURA ACT NO. 7 OF 2005 THE TRIPURA FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT, 2005 Published in the Extra-ordinary issue of Tripura Gazette. 27, 2005 A. 6, 1927 S. E. Government of Tripura Law Department No. F R (16)-Law/Leg/2005 Dated, Agartala, the 25th June, 2005 NOTIFICATION The following Act of the Tripura Legislative Assembly with the assent of the Governor on the 24th day of June, 2005 and is hereby published for general information, S.C. Das Secretary Government of Tripura, Tripura Fiscal Responsibility and Budget Management 1

2. Act : 2005. The Act provides for the responsibility of the State Government to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit and prudent debt management consistent with overall sustainability, greater transparency in fiscal operations of Government and conduct of fiscal policy in a medium term framework and for matters connected therewith or incidental thereto. Be it enacted by the Tripura State Legislature in the year 2005 as follows

SHORT TITLE AND COMMENCEMENT (1) This Act may be called the Tripura Fiscal Responsibility and Budget Management Act, 2005. (2) It shall come into force on such date as the State Government may by notification in the Official Gazette appoint in this behalf.

DEFINITIONS In this Act, unless the context otherwise requires-

a) "budget" means the annual financial statement laid before the House or Houses of the State Legislature under Article 202 of the Constitution; b) "current year" means the financial year preceding the year c) "ensuing year" means the financial year for which the budget is being presented; d) "financial year" means the year beginning on 1st April and ending on 31st March next following; e) "GSDP" means Gross State Domestic Product at current market prices; f) "fiscal deficit" is the excess of aggregate disbursements (net of debt repayment) over revenue receipts; g) "fiscal indicators" are such indicators as may be prescribed for evaluation of the fiscal position of the State Government; h) "fiscal targets" are the numerical ceilings and proportions to total revenue receipts (TRR) or GSDP for fiscal indicators; i) "prescribed" means prescribed by rules made under this Act; j) "previous year" means the year preceding the current year k) "Revenue" means the difference between expenditure and total revenue receipts (TRR)

Explanation: 3. 4. (1) Total revenue receipts (TRR) includes State's own revenue receipts (both tax and non-tax) and current transfers from Center (comprising grants and States share of Central taxes). "State liabilities" means the liabilities under the Consolidated Fund of the State and the Public Account the State shall also include borrowings by the public sector undertakings, the special vehicles and other equivalent instrument including guarantees where the principal and/or interest are to be serviced out of the State budgets.

FISCAL MANAGEMENT OBJECTIVES The State Government shall:

a) take appropriate measures to maintain revenue positive and adequate revenue surplus and contain the fiscal deficit at sustainable levels and utilize such surplus for discharging the liabilities in excess of the assets or for funding capital expenditure; pursue policies to raise non-tax revenue with due regard to cost and equity; and e) lay down norms for prioritization of capital expenditure.

Other expenditure policies that would provide impetus to economic growth, poverty reduction and improvement in human welfare.

FISCAL MANAGEMENT PRINCIPLES The State Government shall be guided by the following, fiscal management principles, namely a) transparency in setting the fiscal policy objectives, implementation of public policy and the publication of fiscal information so as to enable the public to scrutinize the conduct of fiscal policy and the state of public finances; b) stability and predictability in fiscal policy; making process of the way fiscal policy impacts the economy; c) responsibility in the management of public finances, including discipline in budget formulation; fairness to ensure that policy decisions of the State Government have due regard to their social implications on future generations; and efficiency in the design and implementation of the fiscal policy in managing the assets and liabilities of the public sector.

FISCAL POLICY STATEMENTS TO BE Laid BEFORE THE LEGISLATURE The State Government shall in financial year lay before the House or Houses of the Legislature, following statements of fiscal policy along with the budget, namely:- a) Macroeconomic Framework Statement; b) the Medium Term Fiscal Policy Statement; and c) Fiscal Priority Strategy Statement.

MACROECONOMIC FRAMEWORK STATEMENT The Macroeconomic Framework Statement, in such form as may be prescribed, shall contain an overview of the State economy, analysis of growth and sectoral composition of GSDP, assessment

related to State Government finances and future Medium Term Fiscal Policy Statement. The Yli,sdiL11f3 Ter-rn Fiscal Policy Slat-ement she .1 set forth in such form may be prescribed the fiscal management objectives of the State Government and three-year rolling target for the prescribed fiscal indicators with clear enunciation of the underlying conditions, particular and without prejudice to the provisions contained in sub-section (11. medium Term Fiscal Policy Statement included*. the various assumptions behind the fiscal indicators and assessment of sustainability relating to:- 4 ii) iii) balance between revenue receipts and revenue expenditure; the use of capital receipts including borrowing for generating productive assets, the estimated yearly pension liabilities worked out on Actuarial basis for the next ten years, Provided that in case it is not possible to calculate the pension liabilities on actuarial basis during the period of first three years after the coming into force of this Act, the State Government (during that period, estimate the pension liabilities by making forecasts on the basis of trend growth rates. rrscAf* POLICY STRATEGY STATEMENT The Policy Strategy Statement shall be in such form as be prescribed and shall contain, inter alia, 8. 9. 11} i) ii) iii) j) the fiscal policies of the State Government for ensuing year relating to taxation, expenditure, borrowings and other liabilities (including borrowings of Public Sector Undertakings and Special Purpose Vehicle and other equivalent instruments where liability for repayment is State Government), lending; investment; other contingent liabilities, other charges on public goods/ utilities and description of other activities, such as guarantees and other activities of Public Sector Undertakings which have potential budgetary implications; the strategic priorities of the State Government for the ensuing year; the key fiscal measures and the rationale for any major deviation in fiscal measures pertaining to taxation, subsidies, expenditure, borrowings and other charges on public goods/ utilities; and "E" n evaluation of the current policies of the State Government vis-à-vis the fiscal management principles set out in Section the fiscal objectives set out in the Medium-Term Fiscal Policy Statement; it in sub-section I of 7 and fiscal targets set out in section 9. FISCAL TARGETS The State Government may prescribe such targets as may be deemed necessary for giving effect to the fiscal objectives. 5 12} 10. 12) particular, and without prejudice to the generality of the foregoing provisions, the State Government shall- i) iii) strive to maintain revenue surplus by increasing a balance revenue receipts and expenditure and build up further surplus. strive to bring down fiscal deficit to 3% by the year ending March 2010, ensure within a period of 5 years, beginning from the financial year on the 1st day of April 2005 and ending on the 31st day of March 2010, that the total debt stock not exceed 40 per cent of the estimated GSDP for that year; limit the amount of annual incremental risk weighted guarantees to of the GSDP of that year. Provide that revenue surplus and fiscal deficit may exceed the limits specified under this section due to or on account of unforeseen demands on the finances of the State Government arising out of internal disturbance or natural calamities or other exceptional grounds as the State Government may Provide 31 however that a statement in respect of the ground or ground* specified in the first proviso shall be placed before 'The House or Houses of the Legislature, as soon as they may be, after such deficit amount exceeds the aforesaid targets. NEASLRES FOR FISCAL TRANSPARENCY The State Government shall take suitable measures to greater transparency in its fiscal operations in the public interest and in so far as practicable, secrecy in the preparation of the budget. In particular, and without prejudice to the generality of the foregoing provisions, the State Government shall, at the time of presentation of the budget, make disclosures on along with the following information in such forms as may be prescribed; significant changes in the accounting standards, policies and practices affecting or likely to affect the computation of fiscal indicators; details of borrowings by way of MoU and Mean * Advances/ Overdraft availed of from the Reserve Bank of India 6 (3) 11. (1) [2] 13) Whensoever the State Government undertakes to unconditionally and substantially repay (the principal amount and / or pay the interest) any separate legal entity, it has to reflect such liability in the borrowings of the State. MEASURES TO ENFORCE COMPLIANCE The Minister-in-Charge of the Department of Finance (hereinafter referred to as Minister of Finance) shall review every quarter the trends in receipts and expenditure in relation to the budget estimates and place (before the House or Houses of the Legislature) the outcome of such reviews in the next session. The review shall also contain statement on deviation in targets, if any. there is either shortfall in revenue or excess of expenditure over the intra-year targets mentioned in the Fiscal Policy Strategy Statement or the rules made under this Act, the State Government shall take appropriate measures for increasing revenue and / or for reducing the expenditure, including curtailment of the salaries authorized to be paid and applied out of the Consolidated Fund of the State, Provided that nothing in this sub-section shall apply to the expenditure charged on the

Consolidated Fund the State under clause (3) of Article 202 of the Constitution or any other expenditure, which is required to be incurred by any agreement or contract which cannot be postponed or curtailed. Any measure proposed in the course of the financial year which may lead to an increase in revenue deficit, either through increased expenditure or loss of revenue, shall be accompanied by a statement of remedial measures, proposed to neutralize such increase or loss and such statement shall be placed before the House of Representatives of the Legislature while seeking approval for revision. (1) 13

14. The State Government may, if it desires, set up an independent department of the State Government to review the compliance of the provisions of this Act and table such reviews in the House. The House or the State Legislature may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act. In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the matters, namely:— (a) the form of the Macroeconomic Framework Statement under section 6; the form of Medium-Term Fiscal Policy Statement, including the targets for the fiscal indicators, under section 7; the Fiscal Policy Strategy Statement under section 8; for disclosure under sub-section (2) of section 10; to enforce compliance; the regular review of compliance of the provisions of this Act by an independent agency under section 11; and any other matter which is required to be, or may be, prescribed. (2) Every bill made under this Act shall be laid, as soon as may be after it is made, before each House of the Legislature, and if, before the expiry of the session in which it is so laid, or the session immediately following the session or the successive sessions aforesaid, both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form as is agreed by both Houses, or, if no such agreement is reached, the rule shall have effect in its original form. (3) No suit, prosecution or other legal proceedings shall lie against the State Government or any officer of the State Government for anything which is in good faith done or intended to be done under this Act or the rules made thereunder. (4) The provisions of this Act shall be in addition to, and not in derogation of, the provisions of any other law for the time in force. (5) The State Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing any difficulty. Provided that no order shall be made under this section after the expiry of two years from the commencement of this Act. (6) Every order made under this section shall be laid, as soon as may be after it is made, before each House of the State Legislature. S.C. Tax Section of Tripura. 9