Announcements in MTEF

Why in news?

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Recently, the finance ministry has tabled the MTEF (Medium-Term Expenditure Framework) in the parliament.

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What is MTEF?

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- The MTEF is an annual, rolling three year-expenditure planning.
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- It sets out the medium-term expenditure priorities and hard budget constraints against which sector plans can be developed and refined.
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- MTEF also contains outcome criteria for the purpose of performance monitoring.
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- MTEF together with the annual Budget Framework Paper provides the basis for annual budget planning.
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What are the recent announcements in the MTEF?

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- **Petroleum:**The government expects to more than halve its petroleum subsidy bill over the next three years.
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- By March 2018, the target is to eliminate the LPG cylinder subsidy altogether, by raising prices by Rs.4 each month.
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- Efforts are also taken to bring kerosene subsidies under DBT system or making some States ‘kerosene-free.’
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- **Food:**The food subsidy bill is estimated to shoot up sharply from Rs.1.45 lakh crore this year to Rs.2 lakh crore by 2019-20.
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- One of the main reasons for an increase in food subsidy is to meet the repayment obligations of FCI to the National Small Savings Fund.
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- **Infrastructure:** Greater spending on defence, railways, road transport and urban development is proposed.
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- The finance ministry expects government's cap to rise by 25% to RS.3.9 lakh crore by 2019-20.
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- **Taxation:** In the next two years, the government is betting on an expansion of the tax base, citing gains from GST and increased surveillance efforts post-demonetisation.
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- The tax-GDP ratios are projected to be 11.6% and 11.9%, in 2018-19 and 2019-20, respectively.
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- **Interest rates:**The government's revenue expenditure are expected to rise nominally to Rs.6.15 lakh crore by 2019-20.
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- There will not be any 'upward pressure on interest rates' owing to borrowings.
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Source: The Hindu

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