Budget Delay Part II

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What is the EC's decision?

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- The Election Commission allowed the Centre to present the Union Budget on February 1 ahead of the Assembly polls.
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- But the EC said that the schemes related to the poll-bound states cannot be announced.
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- It added that the Finance Minister's speech should not refer to the government's achievements in these states.
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- It also reminded the government of a **2009 advisory** which said vote-on-account instead of a full-fledged budget is presented ahead of elections as per convention.
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- In an election year, like it was in 2009, the Government would instead present a vote on account (VOA) or an interim budget.
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What is a vote-on-account?

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- VOA literally means a vote on the accounts of the government.
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- During parliamentary elections years, till a new government takes over, the caretaker government needs funds for various routine items of expenditure like staff salaries.
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- According to the Constitution, the government cannot spend any money without Parliament's approval.

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- Hence, VOA is taken whereby a government gets parliamentary approval to run the government for a few months.
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What are the restrictions on a VOA?

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- Typically, no changes are made to tax and duty structures and no new schemes are announced in vote-on-account.
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- However it can extend coverage or allocate more money to an existing scheme.
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Why VOA is used?

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- Constitutionally, there is no distinction between a caretaker government and a regular one.
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- The government could technically present a full budget.
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- However, by convention, a government that is at the end of its tenure opts for a vote-on-account since it is regarded as improper that an outgoing government should impose its policies on its successor.
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- Also in election years a full budget would tempt governments to resort to populism and may spend rampantly.
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- Interim budgets have also been used by governments taking office just before the financial year begins to get Parliamentary approval for immediate spending.
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How is a VOA different from interim budget?

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- VOA and interim budget are often interchangeably used.
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- VOA generally deals only with the expenditure side of the government's budget, whereas an interim budget includes both expenditure and receipts.
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- Generally, a VOA is for two or three months, usually till the time it is replaced by a regular budget.
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- It cannot be for a period longer than six.
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Source: Business Line

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