

PART OF FINANCE ACT 2012⁵⁷

CHAPTER VI

AMENDMENTS TO THE FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT, 2003

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39 of 2003.

146. In section 2 of the Fiscal Responsibility and Budget Management Act, 2003 (hereinafter referred to as the Fiscal Responsibility Act),—

Amendment of section 2.

(i) after clause (a), the following clause shall be inserted, namely:—

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'(aa) "effective revenue deficit" means the difference between the revenue deficit and grants for creation of capital assets;'

(ii) after clause (b), the following clause shall be inserted, namely:—

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'(bb) "grants for creation of capital assets" means the grants in aid given by the Central Government to the State Governments, constitutional authorities or bodies, autonomous bodies, local bodies and other scheme implementing agencies for creation of capital assets which are owned by the said entities;'

147. In section 3 of the Fiscal Responsibility Act,—

Amendment of section 3

(a) in sub-section (1),—

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(i) in the opening portion, for the words "demands for grants", the words "demands for grants except the Medium-term Expenditure Framework Statement" shall be substituted;

(ii) after clause (c), the following clause shall be inserted, namely:—

"(d) the Medium-term Expenditure Framework Statement";

(b) after sub-section (1), the following sub-sections shall be inserted, namely:—

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"(1A) The statements referred to in clauses (a) to (c) of sub-section (1) shall be followed up with the Medium-term Expenditure Framework Statement with detailed analysis of underlying assumptions.

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(1B) The Central Government shall lay the Medium-term Expenditure Framework Statement referred to in clause (d) of sub-section (1) before both Houses of Parliament, immediately following the Session of Parliament in which the policy statements referred to in clauses (a) to (c) were laid under sub-section (1).";

(c) after sub-section (6), the following sub-section shall be inserted, namely:—

"(6A) (a) The Medium-term Expenditure Framework Statement shall set forth a three-year rolling target for prescribed expenditure indicators with specification of underlying assumptions and risk involved.

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(b) In particular and without prejudice to the provisions contained in clause (a), the Medium-term Expenditure Framework Statement shall, inter alia, contain—

(i) the expenditure commitment of major policy changes involving new service, new instruments of service, new schemes and programmes;

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(ii) the explicit contingent liabilities, which are in the form of stipulated annuity payments over a multi-year time-frame;

(iii) the detailed breakup of grants for creation of capital assets.';

(c) in sub-section (7), for the words "the Fiscal Policy Strategy Statement," the words "the Fiscal Policy Strategy Statement, the Medium-term Expenditure Framework Statement" shall be substituted.

Amendment of section 4.

148. In section 4 of the Fiscal Responsibility Act,—

(a) for sub-section (1), the following sub-section shall be substituted, namely:—

"(1) The Central Government shall take appropriate measures to reduce the fiscal deficit, revenue deficit and effective revenue deficit to eliminate the effective revenue deficit by the 31st March, 2015 and thereafter build up adequate effective revenue surplus and also to reach revenue deficit of not more than two per cent. of Gross Domestic Product by the 31st March, 2015 and thereafter as may be prescribed by rules made by the Central Government.;"

(b) in sub-section (2),—

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(i) in clause (a),—

(A) for the words "fiscal deficit and revenue deficit", the words "fiscal deficit, revenue deficit and effective revenue deficit" shall be substituted;

(B) for the words, figures and letters "the 31st March, 2009", the words, figures and letters "the 31st March, 2015" shall be substituted;

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(ii) in the first proviso, after the words "the revenue deficit," the words ", effective revenue deficit" shall be inserted.

Insertion of new section 7A.

Laying of review reports.

149. After section 7 of the Fiscal Responsibility Act, the following section shall be inserted, namely:—

"7A. The Central Government may entrust the Comptroller and Auditor-General of India to review periodically as required, the compliance of the provisions of this Act and such reviews shall be laid on the table of both Houses of Parliament."

Amendment of section 8.

150. In section 8 of the Fiscal Responsibility Act, in sub-section (2),—

(i) after clause (b), the following clause shall be inserted, namely:—

"(ba) the expenditure indicators with specifications of underlying assumptions and risk involved under clause (a) of sub-section (6A) of section 3;"

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(ii) in clause (c), for the words "Fiscal Policy Strategy Statement", the words "Fiscal Policy Strategy Statement, Medium-term Expenditure Framework Statement" shall be substituted;

(iii) after clause (c), the following clause shall be inserted, namely:—

"(ca) the per cent. of revenue deficit to be specified after the 31st March, 2015 under sub-section (1) of section 4;"

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