Budget Glossary

ANNUAL FINANCIAL STATEMENT: "It is a statement of receipts and expenditure of states for the financial year, presented to Parliament by the government. It is divided into three parts: Consolidated Fund, Contingency Fund and Public Account

APPROPRIATION BILL: This Bill is like a green signal enabling the withdrawal of money from the Consolidated Fund to pay off expenses. These are instruments that Parliament clears after the demand for grants has been voted by the Lok Sabha.

BUDGETARY DEFICIT: Such a situation arises when expenses exceed revenues. Here the entire budgetary exercise falls short of allocating enough funds to a certain area.

BUDGET ESTIMATES: It is an estimate of Fiscal Deficit and Revenue Deficit for the year. The term is associated with estimates of the Center's spending during the financial year and income received as proceeds of tax revenues.

CAPITAL GOODS: Goods used in the manufacturing of finished products.

CAPITAL BUDGET: Capital Budget keeps track of the government's capital receipts and payments. This accounts for market loans, borrowings from the Reserve Bank and other institutions through sale of Treasury Bills, loans acquired from foreign governments and recoveries of loans granted by the Central government to State governments and Union Territories.

CAPITAL PAYMENTS: Expenses incurred on acquisition of capital assets.

CENVAT: This is a replacement for the earlier MODVAT scheme and is meant for reducing the cascade effect of indirect taxes on finished products. This is more extensive scheme with most goods brought under its preview.

CESS : "This is an additional levy on the basic tax liability. Governments resort to cess for meeting specific expenditure. For instance, both corporate and individual income is at present subject to an education cess of 2%. In the last Budget, the government had imposed another 1% cess as secondary and higher education cess on income tax to finance secondary and higher education.

CURRENT ACCOUNT DEFICIT: This deficit shows the difference between the nation's exports and imports.

CURRENT ACCOUNT SURPLUS: Excess of receipts over expenditure on current account in a country's balance of payments.

COUNTERVAILING DUTIES (CVD) : This is levied on imports that may lead to price rise in the domestic market. It is imposed with the intention of discouraging unfair trading practices by other countries.

CONSOLIDATED FUND: This is one big reservoir where the government pools all its funds together. The fund includes all government revenues, loans raised and recoveries of loans granted.

CONSUMER PRICE INDEX: It is a price index covering the prices of consumer goods.

CONTINGENCY FUND: It is more or less similar to that extra little bit of savings that all mothers set aside in case of an emergency. Likewise, the government has created this fund to help it tide over difficult situations. The fund is at the disposal of the President to meet unforeseen and urgent expenditure, pending approval from Parliament. The amount that is withdrawn from the fund is recouped.

CAPITAL EXPENDITURE: Long-term in nature they are used for acquiring fixed assets such as land, building, machinery and equipment. Other items that also fall under this category include, loans and advances sanctioned by the Center to the State governments, union territories and public sector undertakings.

CAPITAL RECEIPT: Capital Receipts consist of loans raised by the Center from the market, government borrowings from the RBI & other parties, sale of Treasury Bills and loans received from foreign governments. Other items that also fall under this category include recovery of loans granted by the Center to State governments & Union Territories and proceeds from the dilution of the government’s stake in Public Sector Undertakings.

CENTRAL PLAN OUTLAY: It refers to the government’s budgetary support to the Plan. It is the division of monetary resources among different sectors in the economy and ministries of the government.

DIRECT TAXES: Taxes paid directly by the person or organisation on whom they are levied. Income Tax and Corporate Tax fall under this tax category.

DISINVESTMENT: It is the dilution of government’s stake in Public Sector Undertakings.

DEMAND FOR GRANTS: It is a statement of estimate of expenditure from the Consolidated Fund. This requires approval of the Lok Sabha.

EXCISE DUTIES: These duties refer to duties imposed on goods manufactured within the country.

FINANCE BILL: It is the government’s proposals for imposition of new taxes, modification of the existing tax structure or continuance of the existing tax structure beyond the period approved by Parliament.

FISCAL DEFICIT: It is the difference between the Revenue Receipts and Total Expenditure.

FISCAL POLICY: Fiscal policy is a change in government expenditure and/or taxation designed to influence economic activity. These changes are designed to control the level of aggregate demand in the economy. Governments usually bring about changes in taxation, volume of spending, and size of the budget deficit or surplus to affect public expenditure.

FRINGE BENEFIT TAX (FBT) : It is the tax levied on the 'fringe benefit' / perks given by a company to its employees. Companies could no longer get away with marking such expenses as 'ordinary business expenses' and escape tax when they actually gave out club memberships to their employees. Employers had to now pay a tax (FBT) on a percentage of the expense incurred on such perquisites. This tax was introduced in the 2005-06

FRBM ACT: Enacted in 2003, the Fiscal Responsibility and Budget Management Act required the elimination of revenue deficit by 2008-09 . This means that from 2008-09 , the government was to meet all its revenue expenditure from its revenue receipts. Any borrowing was to be done to meet capital expenditure i.e. repayment of loans, lending and fresh investment. The Act also mandates a 3% limit on the fiscal deficit after 2008-09; one that allows the government to build capacities in the economy without compromising on fiscal stability.

GST: A GST (Goods and Services Tax) contains the entire element of tax borne by a good / service including a Central and a state-level tax.

INCOME TAX: This is the tax levied on individual income from various sources like salaries, investments, interest, etc.

INDIRECT TAXES: Taxes imposed on goods manufactured, imported or exported such as Excise Duties and Custom Duties.

INFLATION: A progressive increase in prices of goods and services. It is the percentage rate of change in the price level. In inflation, everything tends to appear more valuable except money.

MINIMUM ALTERNATE TAX (MAT) : It's known that a company pays tax on profits as per the Income-Tax Act. If a company's tax liability is less than 10% of its profits, it has to pay a minimum alternate tax of 10% of the book profits.

MONETIZED DEFICIT: Measures the level of support the RBI provides to the Centre's borrowing program.

NATIONAL DEBT: Total outstanding borrowings of the central government exchequer.

NON-PLAN EXPENDITURE: Expenses that don't form a part of the government's five year plan. These expenses consist of Revenue and Capital Expenditure on interest payments, Defense Expenditure, subsidies, postal deficit, police, pensions, economic services, loans to public sector enterprises and loans as well as grants to State governments, Union territories and foreign governments.

NON-TAX REVENUE: Any loan given to state governments, public institutions, PSUs come with a price (interests) and forms the most important receipts under this head apart from dividends and profits received from PSUs. The government also earns from the various services including public services it provides.

PUBLIC ACCOUNT: It is an account where money received through transactions not relating to consolidated fund is kept.

PUBLIC DEBT: The difference between borrowings and repayments during the year is the net accretion to the public debt. Public debt can be split into two heads, internal debt (money borrowed within the country) and external debt (funds borrowed from non-Indian sources).

PLAN EXPENDITURE: Consists of both Revenue Expenditure and Capital Expenditure of the Center on the Central Plan, Central Assistance to States and Union Territories.

PRIMARY DEFICIT: Fiscal Deficit minus Interest payments.

PROPORTIONAL TAX: A tax taking the same percentage of income regardless of the level of income.

REGRESSIVE TAX: A tax in which the poor pay a larger percentage of income than the rich. It is the opposite of Progressive Tax.

REVENUE DEFICIT: It is the difference between Revenue Expenditure and Revenue Receipts.

REVENUE SURPLUS: Opposite of Revenue Deficit, it is the excess of Revenue Receipts over Revenue Expenditure.

REVISED ESTIMATES: Usually given in the following budget, it is the difference between the Budget Estimates and the actual figures.

EVENUE BUDGET: Consists of Revenue Receipts and Revenue Expenditure of the government.

REVENUE RECEIPT: Consists of duties imposed by the Centre, interest and dividend on investments made by the government.

REVENUE EXPENDITURE: Expenditure incurred for the normal functioning of the government departments and various other services such as interest charges on debt incurred by the government.

SUBSIDIES: Financial aid provided by the Center to individuals or a group of individuals to be competitive. The grant of subsidies is also aimed at improving their skills of those who benefit from the subsidies.

SUBVENTION: This is how a government bears the loss that financial institutions incur when asked to give farmer loans below the market rates.

TREASURY BILL (T-BILLS): These are bonds (debt securities) with maturity of less than a year. These are issued to meet short-term mismatches in receipts and expenditure.

VAT: This tax is based on the difference between the value of output and the value of inputs used to produce it. The aim here is to tax a firm only for the value it adds to the manufacturing inputs, and not the entire input cost. Thus, VAT helps avoid a cascading of taxes as a product passes through different stages of production/value addition.

VOTE ON ACCOUNT: It is a sort of interim budget where the government presents accounts required to keep the process on until the next government takes over.