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Vote on Account

What is the issue?

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Assembly elections are scheduled in May 2019, due to this vote on account is expected to be introduced by union government instead of usual budget.

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What is Vote on Budget?

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- A vote on account is the process by which an incumbent government obtains votes from Parliament to draw money from the Consolidated Fund of India to meet its expenses until the elections are done.
- As per the Constitution, all the revenue received by the Union government and the loans raised by it are parked in the Consolidated Fund of India.
- In the run-up to every general election, Parliament votes to sanction the withdrawal of money from this fund to meet regular government expenses such as payment of salaries and interest.

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How vote on accounts differs from the usual budget?

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- Union Budget is nothing but a projected income and expenditure statement from the Central government for the coming year.

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- Usually, the Budget has to be approved by Parliament before the commencement of the new financial year.

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- Over the years though, Indian Budgets have become major events, doubling up as major policy statements of the government.

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- But in the years where Lok Sabha elections are due, it would be improper for the outgoing government to impose policy changes or budgetary constraints on its successor who may or may not accept them.

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- However, it is still necessary to keep enough money at its disposal to allow it to run the administration, requiring a vote on account.

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How vote on account works?

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- Vote-on-account is a temporary measure, it does need the approval of Parliament and it is usually passed without much discussion.

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- It is usually valid for two months until the new government presents a full Budget.

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- Ministries and departments can utilize the funds available for non-Plan expenditure which includes payments of salary to government employees, loan interest payments, subsidies, pension payments, based on the vote on account.

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- The vote on account typically does not seek funds for major projects or new initiatives, this usually awaits the presentation of the full Budget.

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- The new government elected may have different ideas in mind for the allocation of resources.

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- Therefore, the incumbent government usually restrains itself from making any new financial commitments.

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How vote on account impacts economy?

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- One of the key features of a vote on account is that it usually does not contain any direct tax proposals, as that requires amendments to the Finance Bill.
- Therefore, any decrease/increase or exemption/inclusion related to income tax will be on hold if there's a vote on account.
- On indirect taxes though, there could be clarifications or minor tweaks.
- A vote on the account could be used as an opportunity to highlight the achievements of the government during its years in office.
- This may help understand the effectiveness of the government and make up citizens mind for voting.
- Apart from this, the country may lose crucial time on developmental projects during the hiatus after the vote on account.

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Source: Business Line

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