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UPSC Civil Services Examination

Political Science & International Relations

Topic: Union Budget - Important Economic Terms

Union Budget also called Annual Financial Statement is presented by the Union Finance Minister on 1st of February from 2016. It has the financial bill and the appropriation bill that are supposed to be passed in Indian Parliament before April 1. The Union Budget encompasses many economic terms that can be a bit difficult to understand for aspirants of IAS Exam.

This article will bring you such economic terms that are seen in Union Budget, meaning of those UPSC candidates should know. Before that, a basic understanding of Union Budget will also be provided. The article will therefore help aspirants for UPSC Mains GS II (Political Science) and also for GS III (Indian Economy.) Economic Terms PDF has also been provided which you may download for future revision for UPSC 2020.

What Union Budget means?

According to Article 112 of the Indian Constitution, the Union Budget of a year, also referred to as the annual financial statement, is a statement of the estimated receipts and expenditure of the government for that particular year.
Aspirants should know that there is a difference between Union Budget, Interim Budget and Vote on Account. Read how interim budget is different from a regular budget and vote on account in the linked article.

Union Budget 2019-20 emphasised on the points given in the table below:

- Focus on Agriculture and Rural economy
- GDP growth pegged at 7.6pc
- Focus on cutting plan expenditure to control fiscal deficit is not a good sign
- Emphasis on rural economy is a positive step, as history has shown us that it was rural economy that insulated India from the recession of 2009

Important Economic Terms related Union Budget & their meanings

The table below will bring to you a list of all the important terms that are related to and also used in Union Budget:

Economic Term	Meaning
Annual	It encompasses the receipt and expenditure of the Indian government. The

Financial Statement	information on Consolidated Fund of India, Contingency Fund of India and Public Accounts is provided.

Revenue - Receipt & Expenditure	• Revenue Receipt
	  ○ The receipts received which cannot be recovered by the government
	  ○ It comprises income amassed by the Government through taxes and non-tax sources like interest, dividends on investments.
	• Revenue Expenditure
	  ○ Expenditure incurred by the Union Government for purposes other than for the creation of physical or financial assets.
	  ○ It includes those expenditures incurred for the usual functioning of the government departments, grants given to state governments and interest payments on debt of the Union Government etc.

Capital - Receipt & Expenditure	• Capital Receipt:
	  ○ Receipts which generate liability or decrease the financial assets of the government
	  ○ It includes borrowings from the Reserve Bank of India and commercial banks and other financial institutions
	  ○ It also consists of loans received from foreign governments and international organization and repayment of loans granted by the Union government
	• Capital Expenditure:
	  ○ Spending incurred by the government which results in the formation of physical or financial possessions of the Union government or decrease in financial liabilities of the Union Government.
	  ○ It contains expenditure on procuring land, equipment, infrastructure, expenditure in shares.
	  ○ It also includes mortgages by the Union government to Public Sector Undertakings, state and union territories

Corporation Tax	• Tax on profits of companies
Direct Tax	• Taxes which are imposed directly on individual and company • It comprises income tax and corporation tax
Indirect Tax	• Taxes which are imposed on goods and services • It comprises taxes like service tax, excise taxes, and customs duties
Fiscal Policy	• The policy of the government

	• Fiscal policy is the means by which a government adjusts its expenditure levels and tax rates to monitor and influence a country's economy.
Revenue Deficit	• It is the additional expenditure of government over revenue receipts
Fiscal Deficit	• It is the difference between the total expenditure of government and its total receipts, not including the borrowing.
Primary Deficit	• Fiscal deficit – interest payments= Primary Deficit
Non-tax revenue	• Government revenue not generated from taxes. • Examples of non-tax revenue: ○ Aid from another level of government ((intergovernmental aid): in the United States, federal grants may be considered non-tax revenue to the receiving states, and equalization payments; Aid from abroad (foreign aid) etc.