Unit 29. Difference between Full Budget and Vote on Account

While studying Budget related topics, many are confused about the difference between full budget and vote on account. In this post, we try to explain the difference between full budget and vote on account. We will also be dealing with the interim budget.

Basic concept: Executive (Government) needs the approval of Legislature (Parliament) for spending!

The government needs money for its functioning. Even though government collects money from the public by means of various taxes, for the expenditure of the same, it needs approval from another authority – ie. Legislature!

Article 266 of the Constitution of India mandates that Parliamentary approval is required to draw money from the Consolidated Fund of India. Besides, Article 114 (3) of the Constitution stipulates that no amount can be withdrawn from the Consolidated Fund without the enactment of a law (appropriation bill).

The Parliamentary Approval takes its time!

The full budget is usually passed only after long discussions. Even though the government (executive) seeks approval of expenditure for the next financial year (April 1 to March 31) in the current financial year itself, the approval from legislature takes its time.
Discussion and voting of demands for grants and passing of Appropriation Bill generally goes beyond the current financial year.

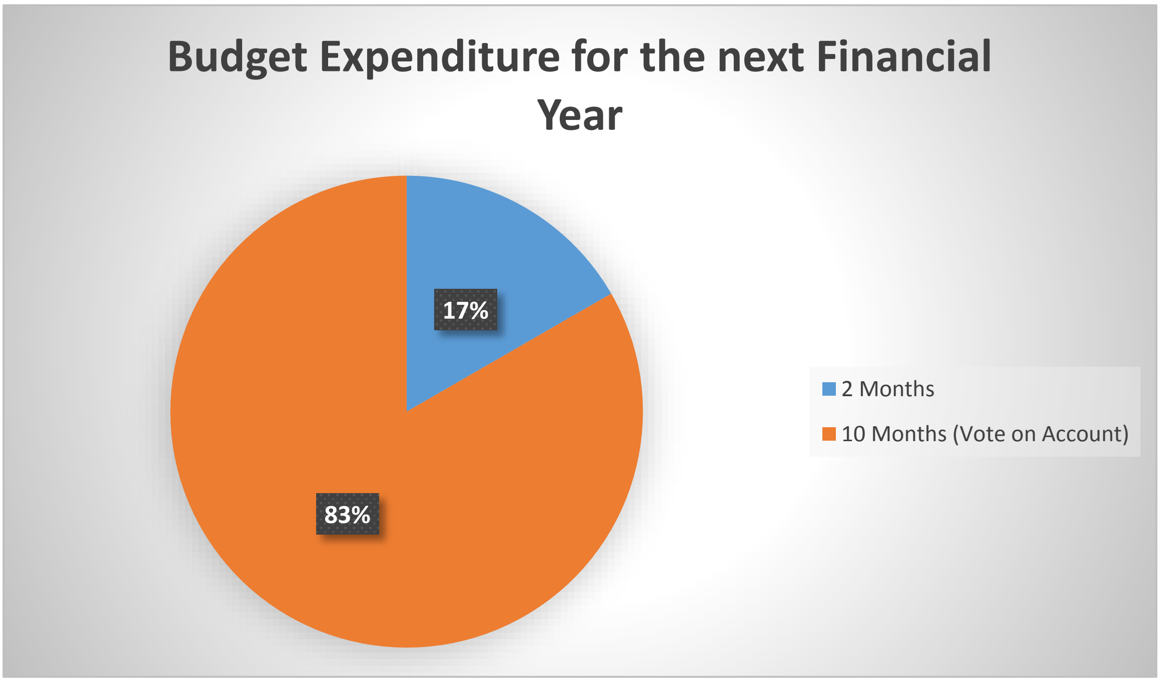
But the government needs money for its day to day functions…

Since Parliament is not able to vote the entire budget before the commencement of the new financial year, the necessity to keep enough finance at the disposal of Government.

A special provision is, therefore, made for "**Vote on Account**" by which Government obtains the **Vote of Parliament** for a sum sufficient to incur expenditure on various items for a part of the year.

Vote on Account

Vote on Account is a grant in advance to enable the government to carry on until the voting of demands for grants and the passing of the Appropriation Bill and Finance Bill.



This enables the government to fund its expenses for a short period of time or until a full-budget is passed. Normally, the Vote on Account is taken for two months only. The sum of the grant would be equivalent to one sixth of the estimated expenditure for the entire year under various demands for grants.

As a convention, a vote-on-account is treated as a formal matter and passed by Lok Sabha without discussion.

Can Vote on Account be granted for more than 2 months?

Yes. During election year or when it is anticipated that the main Demands and Appropriation Bill will take longer time than two months, the Vote on Account may be for a period exceeding two months.

Difference between Full Budget and Vote on Account

- Full Budget deals with both expenditure and revenue side but Vote-on-account deals only with the expenditure side of the government's budget.
- The vote-on-account is normally valid for for two months but full budget is valid for 12 months (a financial year).
- As a convention, a vote-on-account is treated as a formal matter and passed by Lok Sabha without discussion. But passing for budget happens only after discussions and voting on demand for grants.

What is an interim budget then?

An interim budget in all practical sense is a full budget, but made by the government during the last year of its term – ie. just before election. An interim Budget is a complete set of accounts, including both expenditure and receipts. But it may not contain big policy proposals.

Is it mandatory for the government to present vote on account instead of full budget in an election year?

During an election year, the ruling government generally opts for a vote-on-account or interim budget instead of a full budget. While technically, it is not mandatory for the government to present a vote-on-account, but it would be inappropriate to impose policies that may or may not be acceptable to the incoming government taking over in the same year.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