



THE FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT, 2003

---

ARRANGEMENT OF SECTIONS

---

SECTIONS

1. Short title, extent and commencement.
2. Definitions.
3. Fiscal policy statements to be laid before Parliament.
4. Fiscal management principles.
5. Borrowing from Reserve Bank.
6. Measures for fiscal transparency.
7. Measures to enforce compliance.
- 7A. Laying of review reports.
8. Power to make rules.
9. Rules to be laid before each House of Parliament.
10. Protection of action taken in good faith.
11. Jurisdiction of civil courts barred.
12. Application of other laws not barred.
13. Power to remove difficulties.

# THE FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT, 2003

ACT No. 39 OF 2003

[26th August, 2003.]

An Act to provide for the responsibility of the Central Government to ensure inter-generational equity in fiscal management and long-term macro-economic stability by <sup>1\*\*\*</sup> removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability through limits on the Central Government borrowings, debt and deficits, greater transparency in fiscal operations of the Central Government and conducting fiscal policy in a medium-term framework and for matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Fifty-fourth Year of the Republic of India as follows:—

**1. Short title, extent and commencement.**—(1) This Act may be called the Fiscal Responsibility and Budget Management Act, 2003.

(2) It extends to the whole of India.

(3) It shall come into force on such date<sup>2</sup> as the Central Government may, by notification in the Official Gazette, appoint in this behalf.

**2. Definitions.**—In this Act, unless the context otherwise requires,—

(a) “fiscal deficit” means the excess of total disbursements, from the Consolidated Fund of India, excluding repayment of debt, over total receipts into the Fund (excluding the debt receipts), during a financial year;

<sup>3</sup>[<sup>4</sup>(aa) “Central Government debt” at any date means—

(i) the total outstanding liabilities of the Central Government on the security of the Consolidated Fund of India, including external debt valued at current exchange rates;

(ii) the total outstanding liabilities in the public account of India; and

(iii) such financial liabilities of anybody corporate or other entity owned or controlled by the Central Government, which the Government is to repay or service from the annual financial statement, reduced by the cash balance available at the end of that date;]

(b) “fiscal indicators” means the measures such as numerical ceilings and proportions to gross domestic product, as may be prescribed, for evaluation of the fiscal position of the Central Government;

<sup>3</sup>[<sup>5</sup>(bb) “general Government debt” means the sum total of the debt of the Central Government and the State Governments, excluding inter-Governmental liabilities;]

(bc) “gross domestic product” means the sum of the gross value added by all resident production units plus that part of taxes, less subsidies, on products, which is not included in the valuation of output, during a financial year, reckoned at current market prices, as published by the Central Statistics Office from time to time;]

(c) “prescribed” means prescribed by rules made under this Act;

<sup>6</sup>[(ca) “real gross domestic product” means gross domestic product, reckoned at constant prices, as published by the Central Statistics Office from time to time;

(cb) “real output growth” means growth in real gross domestic product;]

1. The words “achieving sufficient revenue surplus and” omitted by Act 13 of 2018, s. 210 (w.e.f 31-3-2018).

2. 5th July, 2004, *vide* notification No. G.S.R. 395(E), dated 2nd July, 2004, *see* Gazette of India, Extraordinary, Part II, sec. 3(i).

3. Ins. by Act 23 of 2012, s. 146 (w. e. f. 28-5-2012).

4. Subs. by Act 13 of 2018, s. 211, for clause (aa) (w.e.f 31-3-2018).

5. Subs. by s. 211, *ibid.*, for clause (bb) (w.e.f 31-3-2018).

6. Ins. by s. 211, *ibid.* (w.e.f. 31-3-2018).

(d) “Reserve Bank” means the Reserve Bank of India constituted under sub-section (1) of section 3 of the Reserve Bank of India Act, 1934 (2 of 1934);

1\* \* \* \* \*

**3. Fiscal policy statements to be laid before Parliament.**—(1) The Central Government shall lay in each financial year before both Houses of Parliament the following statements of fiscal policy along with the annual financial statement and <sup>2</sup>[demands for grants except the Medium-term Expenditure Framework Statement], namely:—

- (a) the Medium-term Fiscal Policy Statement;
- (b) the Fiscal Policy Strategy Statement;
- (c) the Macro-economic Framework Statement;
- <sup>3</sup>[(d) the Medium-term Expenditure Framework Statement.]

<sup>3</sup>[(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.

(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).]

(2) The Medium-term Fiscal Policy Statement shall set forth a three-year rolling target for prescribed fiscal indicators with specification of underlying assumptions.

(3) In particular, and without prejudice to the provisions contained in sub-section (2), the Medium-term Fiscal Policy Statement shall include an assessment of sustainability relating to—

4\* \* \* \* \*

(ii) the use of capital receipts including market borrowings for generating productive assets.

(4) The Fiscal Policy Strategy Statement shall, *inter alia*, contain—

(a) the policies of the Central Government for the ensuing financial year relating to taxation, expenditure, market borrowings and other liabilities, lending and investments, pricing of administered goods and services, securities and description of other activities such as underwriting and guarantees which have potential budgetary implications;

(b) the strategic priorities of the Central Government for the ensuing financial year in the fiscal area;

(c) the key fiscal measures and rationale for any major deviation in fiscal measures pertaining to taxation, subsidy, expenditure, administered pricing and borrowings;

(d) an evaluation as to how the current policies of the Central Government are in conformity with the fiscal management principles set out in section 4 and the objectives set out in the Medium-term Fiscal Policy Statement.

(5) The Macro-economic Framework Statement shall contain an assessment of the growth prospects of the economy with specification of underlying assumptions.

(6) In particular and without prejudice to the generality of the foregoing provisions the Macro-economic Framework Statement shall contain an assessment relating to—

- (a) the growth in the gross domestic product;
- (b) the fiscal balance of the Union Government as reflected in the <sup>5\*\*\*</sup> gross fiscal balance;
- (c) the external sector balance of the economy as reflected in the current account balance of the balance of payments.

---

1. Clauses (e) and (f) omitted by Act 13 of 2018, s. 211 (w.e.f. 31-3-2018).  
 2. Subs. by Act 23 of 2012, s. 147, for “demand for grants” (w. e. f. 28-5-2012).  
 3. Ins. by s. 147, *ibid.* (w. e. f. 28-5-2012).  
 4. Item (i) omitted by Act 13 of 2018, s. 212 (w.e.f. 31-3-2018).  
 5. The words “revenue balance and” omitted by s. 212, *ibid.* (w.e.f. 31-3-2018).



(5) Where the fiscal deficit is allowed to vary from the target prescribed under the proviso to sub-section (2) or deviation is initiated under sub-section (4), a statement explaining the reasons thereof and the path of return to annual prescribed targets under this section shall be laid, as soon as may be, before both the Houses of Parliament.]

**5. Borrowing from Reserve Bank.**—(1) The Central Government shall not borrow from the Reserve Bank.

(2) Notwithstanding anything contained in sub-section (1), the Central Government may borrow from the Reserve Bank by way of advances to meet temporary excess of cash disbursement over cash receipts during any financial year in accordance with the agreements which may be entered into by that Government with the Reserve Bank:

Provided that any advances made by the Reserve Bank to meet temporary excess cash disbursement over cash receipts in any financial year shall be repayable in accordance with the provisions contained in sub-section (5) of section 17 of the Reserve Bank of India Act, 1934(2 of 1934).

<sup>1</sup>[(3) Notwithstanding anything contained in sub-section (1), the Reserve Bank may subscribe to the primary issues of Central Government Securities due to ground or grounds specified in the proviso to sub-section (2) of section 4.]

(4) Notwithstanding anything contained in sub-section (1), the Reserve Bank may buy and sell the Central Government securities in the secondary market <sup>2</sup>[or converts Central Government Securities held by it with other Securities of the Central Government as mutually agreed between the Reserve Bank and the Central Government].

**6. Measures for fiscal transparency.**—(1) The Central Government shall take suitable measures to ensure greater transparency in its fiscal operations in public interest and minimise as far as practicable, secrecy in the preparation of the annual financial statement and demands for grants.

(2) In particular, and without prejudice to the generality of the foregoing provision, the Central Government shall, at the time of presentation of annual financial statement and demands for grants, make such disclosures and in such form as may be prescribed.

**7. Measures to enforce compliance.**—(1) The Minister-in-charge of the Ministry of Finance shall review, <sup>3</sup>[on half-yearly basis], the trends in receipts and expenditure in relation to the budget and place before both Houses of Parliament the outcome of such reviews.

<sup>4</sup>[(1A) The Central Government shall prepare a monthly statement of its accounts.]

(2) Whenever there is either shortfall in revenue or excess of expenditure over the <sup>5</sup>[prescribed levels] during any period in a financial year, the Central Government shall take appropriate measures for increasing revenue or for reducing the expenditure (including curtailing of the sums authorised to be paid and applied from and out of the Consolidated Fund of India under any Act so as to provide for the appropriation of such sums):

Provided that nothing in this sub-section shall apply to the expenditure charged on the Consolidated Fund of India under clause (3) of article 112 of the Constitution or to any other expenditure which is required to be incurred under any agreement or contract or such other expenditure which cannot be postponed or curtailed.

(3)(a) Except as provided under this Act, no deviation in meeting the obligations cast on the Central Government under this Act, shall be permissible without approval of Parliament.

---

1. Subs. by Act 13 of 2018, s. 214, for sub-section (3) (w.e.f. 31-3-2018).

2. Ins. by s. 214, *ibid.* (w.e.f. 31-3-2018).

3. Subs. by s. 215, *ibid.*, for “every quarter” (w.e.f. 31-3-2018).

4. Ins. by s. 215, *ibid.* (w.e.f. 31-3-2018).

5. Subs. by s. 215, *ibid.*, for “pre-specified levels mentioned in the Fiscal Policy Strategy Statement and the rules made under this Act” (w.e.f. 31-3-2018).





**13. Power to remove difficulties.**—(1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty:

Provided that no order shall be made under this section after the expiry of two years from the commencement of this Act.

(2) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.