

# **Maharashtra Fiscal Responsibility and Budgetary Management Act, 2005**

MAHARASHTRA

India

## **Maharashtra Fiscal Responsibility and Budgetary Management Act, 2005**

### **Act 16 of 2005**

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Maharashtra Fiscal Responsibility and Budgetary Management Act, 2005 Maharashtra Act No. 16 of 2005 MH76 (First published, after having received the assent of the Governor in the "Maharashtra Government Gazette" on the 20th April 2005). Amended by Maharashtra 42 of 2006. An Act to provide for the responsibility of the State Government to ensure inter-generational equity in fiscal management, fiscal stability by achieving sufficient revenue surplus and prudential debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the State Government and conducting fiscal policy in a medium-term framework and for matters connected therewith or incidental thereto. Whereas it is expedient to enact a special law in respect of the fiscal responsibility and budgetary management; it is hereby enacted in the Fifty-sixth Year of the Republic of India as follows:-

## **Chapter I Preliminary**

### **1. Short title and commencement.**

(1) This Act may be called the Maharashtra Fiscal Responsibility and Budgetary Management Act, 2005. (2) It shall come into force on such date as the State Government may, by notification in the Official Gazette, appoint.

### **2. Definitions.**

- In this Act, unless the context otherwise requires, -(a) "budget" means the annual financial statement laid before both Houses of the State Legislature under article 202 of the Constitution of

India;(b)"financial year" means the year beginning on the 1st April and ending on the 31st March of the next following year;(c)"fiscal deficit" means excess of total expenditure of State Government over the total non-debt receipt, and thus represents those borrowing requirements, net of repayment during the year which needs to be serviced by way of interest and principal repayment;(d)"fiscal indicators" means the measures such as numerical ceilings, as may be prescribed, for evaluation of the fiscal position of the State Government;(e)"Government" or "State Government" means the Government of Maharashtra;(f)"prescribed" means prescribed by rules made under this Act;(g)"revenue deficit" means the difference between total revenue expenditure and total revenue receipts;(h)"rules" means rules made under this Act;(i)"States" means the State of Maharashtra;(j)"total liabilities" means liabilities under the Consolidated Fund of the State and the Public Account of the State.

## **Chapter II**

### **Budget Transparency**

#### **3. Fiscal Policy Statement to be laid before State Legislature.**

(1)[The State Government shall lay, in the Budget Session of each financial year, before both Houses of the State Legislature, the following statements of fiscal policy, namely:-] [This portion was substituted by Maharashtra 42 of 2006, Section 2. - Substituted portion reads as under-"The State Government shall lay, in each financial year, before both Houses of the State Legislature the following statements fiscal policy along with the annual financial statement and demands for grants, namely:-"](a)the Medium-term Fiscal Policy Statement,(b)the Fiscal Policy Strategy Statement.(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,-(i)the balance between revenue receipts and revenue expenditures;(ii)the use of capital receipts for generating productive assets.(4)The Fiscal Policy Strategy Statement shall, inter-alia, contain,-(a)the policies of the State Government for the ensuing financial year relating to taxation, expenditure, borrowings and other liabilities, lending and investments, description of other activities such as underwriting and guarantees which have potential budgetary and fiscal implications;(b)the strategic priorities of the State Government for the ensuing financial year in the fiscal area;(c)the key fiscal policies and rationale for any major deviation in fiscal measures pertaining to taxation and expenditure;(d)an evaluation as to how the current policies of the State Government are in conformity with the fiscal management principles set out in section 5 and the objectives set out in the Medium-term Fiscal Policy Statement.(5)The Medium-term Fiscal Policy Statement and the Fiscal Policy Strategy Statement referred to in sub-section (1) shall be in such form as may be prescribed.

#### **4. Disclosures.**

(1)The State Government shall take suitable measures to ensure greater transparency in its fiscal operations in the public interest.(2)In particular and without prejudice to the generality of the

foregoing provisions the State Government shall, [at the time of laying the fiscal policy statements referred to in sub-section (1) of section 3.] [These words were substituted by Maharashtra 42 of 2006, Section 3. Substituted words reads as follows :-'at the time of annual financial statement and demands for grants'.] make such disclosures and in such form as may be prescribed.

## **Chapter III**

### **Fiscal Management Principles**

#### **5. Fiscal management principles.**

(1)The State Government shall take appropriate measures to reduce the revenue deficit by the 31st March 2009 and thereafter maintain revenue surplus balance at the end of each year.(2)The State Government shall by rules specify the targets for reduction of fiscal deficit. For this purpose the fiscal deficit target shall be interpreted in the form of a ratio of expenditure on interest to revenue receipts:Provided that, the revenue deficit and fiscal deficit may exceed such targets due to ground or grounds of natural calamity or such other exceptional grounds as the State Government may specify:Provided further that, a statement in respect of the ground or grounds specified in the first proviso shall be placed before both Houses of the State Legislature as soon as may be possible, after such deficit amount exceeds the aforesaid targets.

## **Chapter IV**

### **Measures to Enforce Compliance**

#### **6. Measures to enforce compliance.**

(1)The Minister-in-charge of the Finance Department shall review every quarter, the trends in receipts and expenditures in relation to the budget and place the outcome of such reviews before both Houses of the State Legislature.(2)Whenever there is either a shortfall in revenue or excess of expenditure over the pre-specified levels mentioned in the Fiscal Policy Strategy Statement and the rules, during any period in a financial year, the State Government shall take appropriate measures for increasing revenue and/or for reducing the expenditure, including curtailing of the sums authorised to be paid and applied from and out of the Consolidated Fund of the State under any law 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 the State under clause (3) of article 202 of the Constitution of India 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 the first proviso to sub-section (2) of section 5 no deviation in meeting the obligations cast on the State Government under this Act, shall be permissible without approval of the State Legislature.(b)Where owing to unforeseen circumstances, any deviation is made in meeting the obligations cast on the State Government under this Act, the Minister-in-charge of the Finance Department shall make a statement in both Houses of the State Legislature explaining,-(i)any deviation in meeting the obligations cast on the State Government under this

Act;(ii)whether such deviation is substantial and relates to the actual or the potential budgetary outcomes; and(iii)the remedial measures the State Government proposes to take.

## **Chapter V**

### **Miscellaneous**

#### **7. Power to make rules.**

(1)The State Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act.(2)In particular and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:-(a)to prescribe the fiscal indicators for evaluation of the fiscal position of the State Government under clause (d) of section 2;(b)the forms of the Medium-term Fiscal Policy Statement and Fiscal Policy Strategy Statement referred to in sub-section (5) of section 3;(c)the disclosures and form in which such disclosures shall be made under sub-section (2) of section 4;(d)the targets to be specified under sub-section (2) of section 5;(e)any other matter which is required to be or may be prescribed.

#### **8. Rules to be laid before each House of State Legislature.**

- Every rule made under this Act shall be laid, as soon as may be after it is made before each House of the State Legislature, while it is in session for a total period of thirty days, which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session in which it is so laid or the session immediately following, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, and notify such decision in the Official Gazette, the rule shall, from the date of such notification, have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything. previously done under that rule.

#### **9. Protection of action taken in good faith.**

- No suit, prosecution or other legal proceedings shall lie against the State Government or any officer of the State Government for anything which is in good faith done or intended to be done under this Act or the rules.

#### **10. Jurisdiction of Civil Courts barred.**

- No civil court shall have jurisdiction to question the legality of any action taken by, or any decision of, the State Government, under this Act.

## **11. Application of other laws not barred.**

- The provisions of this Act shall be in addition to, and not in derogation of, the provisions of any other law for the time being in force.

## **12. Power to remove difficulties.**

(1) If any difficulty arises in giving effect to the provisions of this Act, the State Government may, as occasion requires, by order published in the Official Gazette, do anything, not inconsistent with the provisions of this Act, which appears to it to be necessary or expedient for the purpose of removing the difficulty: Provided that, no order shall be made under this sub-section after the expiry of two years from the commencement of this Act. (2) Every order made under sub-section (1) shall be laid, as soon as may be, after it is made before each House of the State Legislature. Notifications G. N. F.D. No. EFC/2002/CR-21/2002/F.C., dated 21st April, 2005 (M. G., Part IV-B, page 2) - In exercise of the powers conferred by sub-section (2) of section 1 of the Maharashtra Fiscal Responsibility and Budgetary Management Act, 2005 (Mari. XVI of 2005), the Government of Maharashtra hereby appoints the 21st day of April 2005 to be the date on which the said Act shall come into force.