

Finance Bill

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What is the Finance Bill?

- The Finance Bill is a Money Bill, according to Article 110 of the Constitution.
- The Finance Bill is a section of the Union Budget that lays out all of the legislative changes needed to implement the Finance Minister's proposed tax changes.
- In accordance with the tax proposals made in the Union Budget, this Bill encompasses all amendments needed in various tax laws.
- As a Money Bill, the Finance Bill must be approved by the Lok Sabha, India's lower house of Parliament. The Finance Bill becomes the Finance Act after it is approved by the Lok Sabha.

What is the distinction between a Money Bill and a Finance Bill?

Money Bill

- According to Section 110 of the Constitution, a Money Bill must be introduced in the Lok Sabha. The bill is then sent to the Rajya Sabha for consideration.
- In 14 days, the Rajya Sabha must return the Bill with recommendations.
- The Lok Sabha, on the other hand, has the option of rejecting all or any of the recommendations.

Finance Bill

- A Financial Bill is, in general, any bill that deals with revenue or expenditure.
- In the Lok Sabha, the Finance Bill is passed.
- The Rajya Sabha has the authority to propose amendments to the bill.

- The bill must, however, be passed by Parliament within 75 days of its adoption.

Types of Finance Bills

Type-1

- Financial Bill Type-1 is a bill that includes all of the matters mentioned in Article 110 but does not deal with them exclusively.
- A bill that includes a taxation clause but does not deal strictly with taxation under Article 117 (1), for example, shares two characteristics with a money bill.
- It cannot be introduced in the Rajya Sabha.
- It can only be adopted in the Lok Sabha with the President's prior approval.

Note: However, since it is not a Money Bill, the Rajya Sabha has the same power to reject or amend the Financial Bill, subject to certain restrictions.

Type-2

- It is a finance bill that only deals with spending and does not address any of the issues raised in Article 110.
- It is an Ordinary Bill that can be introduced in either House, with the Rajya Sabha having complete authority to reject or amend it.
- As a result, all Money Bills are also Financial Bills, but not all Financial Bills are Money Bills.

Who determines whether or not a bill is a finance bill?

- The Speaker of the Lok Sabha has the authority to rule on whether or not the Bill is a Money Bill. In addition, the Speaker's decision would be considered final.

Why is a Finance Bill required?

- Many tax reforms are proposed in the Union Budget for the coming fiscal year, even if not all of them are stated in the Finance Minister's Budget speech.
- These proposed amendments would affect a number of current laws in the country that deal with different taxes.
- The Finance Bill aims to make changes to any of the relevant laws without needing to pass a separate reform law for each of them.
- For example, proposed tax changes in a Union Budget can necessitate amending various parts of the Income Tax Act, Stamp Act, Money Laundering Act, and other laws. Wherever necessary, the Finance Bill overrides and modifies current laws.