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FINANCE BILL VS. MONEY BILL VS. ORDINARY BILL

WHY IN THE NEWS?

Senior Congress leader Shashi Tharoor has criticized the Finance Bill, calling it a “classic case of patchwork solutions” amid India’s serious structural economic challenges. Speaking in Lok Sabha, he pointed out that growth targets were being revised downward, with even 6% growth becoming difficult to achieve. Tharoor also highlighted the fiscal disparity between the Centre and southern states, arguing that despite their significant contribution to the economy, they were not receiving a fair share of funds. Additionally, he flagged concerns over sectoral imbalances, noting that while agriculture’s workforce has grown, manufacturing has shrunk to 15% of GDP—the lowest this century. He also pointed to stagnating exports and rising financial strain even on higher-income earners.

WHAT IS A FINANCE BILL?

The Finance Bill is a legislative proposal introduced annually in the Indian Parliament to implement the government’s financial policies, including taxation, expenditures, and borrowings for the upcoming fiscal year. Once approved, it becomes the Finance Act, giving legal effect to these financial proposals.

Key Highlights from the Union Budget 2025-2026:

1. Income Tax Reforms:

New Tax Regime Adjustments: The exemption threshold has been raised, with income up to ₹12 lakh now tax-free, up from the previous ₹7 lakh limit. Tax slabs under the old regime remain unchanged.
Wikipedia

2. Support for Non-Governmental Organizations (NGOs): Under Section 12A, the validity period for tax exemptions has been extended from 5 to 10 years for institutions with an income of ₹5 crore and below in both preceding years.

3. International Financial Services Centre (IFSC): The commencement date for IFSC unit operations eligible for tax exemptions has been extended to March 31, 2030, providing a longer window for businesses to benefit from these incentives.

4. Startup Tax Incentives: The eligibility period for income tax exemptions for startups has been extended. Startups incorporated up to April 1, 2030, can avail of tax benefits for three consecutive years within their first ten years of operation.

5. Customs Duty Adjustments: Reductions in customs duties have been implemented for specific items to encourage imports and support domestic industries.

6. Tax Deducted at Source (TDS) and Tax Collected at Source (TCS):

TDS Limit: The annual threshold for TDS has been increased to ₹6 lakh.

TCS Limit: The threshold for remittances has been raised from ₹7 lakh to ₹10 lakh.

Compliance Mechanism Enhancements: The time limit for assessments has been extended from 2 to 4 years. Penalties are structured at 60% for the third year and 70% for the fourth year, encouraging timely compliance.

CONSTITUTIONAL PROVISIONS

1. Article 110: Money Bill Definition: The Finance Bill is a Money Bill, as it deals with taxation, borrowing, and expenditures from the Consolidated Fund of India.Money Bills can only be introduced in the Lok Sabha and require the Rajya Sabha's recommendations, but the Upper House cannot reject them.

2. Article 112: Annual Financial Statement (Union Budget): The Union Budget, which includes the Finance Bill, is presented under this article. It outlines the government's estimated revenues and expenditures for the upcoming financial year.

3. Article 117: Financial Bills: While all Money Bills are Financial Bills, not all Financial Bills are Money Bills. Financial Bills must be introduced in Lok Sabha first, but they require approval from both Houses of Parliament.

4. Article 265: No Tax Without Authority of Law: No tax can be levied or collected unless it is authorized by law, making the passage of the Finance Bill crucial for implementing tax policies.

COMPONENTS OF FINANCE BILL

1. Taxation Provisions: Modification of existing tax rates (e.g., changes in Income Tax slabs, GST, Customs, and Excise Duties).Continuation of existing taxes beyond their approved period

2. Government Borrowings: Provisions related to government loans, bonds, and other borrowing mechanisms.Authorization for raising funds to meet budgetary deficits

3. Revenue and Expenditure Policies: Allocation of government revenues for various schemes and projects. Guidelines on public expenditure management

4. Tax Exemptions and Incentives: Special relief measures for specific sectors, businesses, or individuals. Exemptions for startups, industries, and NGOs (as seen in recent Finance Bills)

5. Customs and Excise Duties Adjustments: Import/export duty modifications to boost or restrict trade in specific sectors. Tariff changes to protect domestic industries

6. Compliance and Penalty Mechanisms: Extension or revision of assessment timelines for tax compliance. Introduction of new penalties for tax evasion or delayed payments

7. Amendments to Existing Financial Laws: Modifications to laws like the Income Tax Act, GST Act, and Customs Act.Legal provisions to streamline taxation and revenue collection

COMPARISON TABLE: FINANCE BILL VS. MONEY BILL VS. ORDINARY BILL

Feature	Finance Bill	Money Bill	Ordinary Bill
Definition	A bill that contains financial provisions like taxation, fund allocation, and amendments to tax laws.	A bill that only deals with taxation, government borrowing, and expenditure from the Consolidated Fund of India.	A bill that deals with general legislative matters, not necessarily financial.
Constitutional Basis	Article 117	Article 110	No specific article, covered under the general legislative process.
Scope	Covers financial proposals, tax amendments, and fund allocations.	Strictly deals with government revenue, expenditure, taxation, and borrowing.	Covers all other legislative matters such as education, health, infrastructure, etc.
Introduction	Only in Lok Sabha	Only in Lok Sabha	Can be introduced in either Lok Sabha or Rajya Sabha
Rajya Sabha's Role	Can recommend amendments, but Lok Sabha has the final say.	Can suggest changes, but Lok Sabha can reject them.	Can amend, reject, or approve the bill.
Approval Process	Must be passed by both Houses of Parliament.	Must be passed by Lok Sabha and sent to Rajya Sabha, but Rajya Sabha cannot reject it.	Must be passed by both Houses of Parliament.
President's Approval	Required	Required	Required
Example	Union Budget Finance Bill, which includes tax slab changes, GST amendments, etc.	A bill imposing a new tax or increasing government borrowing.	Bills related to education, health, employment, infrastructure, etc.

IMPORTANCE OF FINANCE BILL

1. Legal Framework for Taxation: Serves as the legal foundation for the Union Budget, detailing proposed tax changes.

2. Authority for Revenue Collection: Grants the government the legal power to collect taxes, including income tax, customs duties, and excise duties.
3. Amendments to Tax Laws: Enables modifications to existing tax laws, ensuring they align with government financial policies.
4. Covers Financial Matters: Addresses key financial aspects such as revenue, expenditure, borrowings, and fiscal policies.
5. Implementation of Budget Proposals: Acts as the mechanism for executing the government's financial proposals.
6. Parliamentary Approval: Requires approval from Parliament, ensuring transparency and legal validation of financial changes.
7. Becomes Finance Act: Once passed, it transforms into the Finance Act, legally enforcing tax and financial provisions.

CONCLUSION

The Finance Bill plays a crucial role in shaping India's financial landscape by outlining taxation policies, revenue collection mechanisms, and expenditure plans. As a Money Bill, it ensures that the government's financial proposals are legally enforced while maintaining fiscal discipline. With constitutional backing under Articles 110, 112, 117, and 265, it serves as the backbone of economic governance, supporting taxation reforms, government borrowings, and financial incentives.

PRELIMS QUESTIONS

Q. With reference to the Finance Bill, consider the following statements:
1. The Finance Bill is always a Money Bill as per Article 110 of the Indian Constitution.
2. The Finance Bill includes provisions related to taxation, borrowings, and expenditure of the government.
3. Once passed by Parliament, the Finance Bill becomes the Finance Act, giving legal effect to tax changes.
How many of the above-given statements are correct?
A. Only one
B. Only two
C. All three
D. None
Answer: B

MAINS QUESTIONS

Q. Discuss the significance of the Finance Bill in India's economic governance. How does it differ from a Money Bill and an Ordinary Bill? (250 words, 15 marks)

MAKE IN INDIA POWERS DEFENCE GROWTH

WHY IN THE NEWS?

India's defence production has achieved an unprecedented milestone by reaching a record ₹1.27 lakh crore in FY 2023-24, representing a remarkable 174% increase compared to ₹46,429 crore in FY 2014-15. This rapid growth highlights the success of the "Make in India" initiative in the defence sector, where the country is transitioning from being a major importer to becoming a rising hub for indigenous defence manufacturing.

WHAT IS MAKE IN INDIA – THE PROGRAMME

Launched in 2014, the Make in India initiative aims to transform India into a global manufacturing hub by promoting domestic production across various sectors, reducing import dependency, and fostering innovation. This flagship programme seeks to create jobs, boost exports, and contribute to economic growth by encouraging investments from both domestic and foreign entities. The defence sector, a critical pillar of national security and technological prowess, has emerged as a focal point of the Make in India drive, with an emphasis on indigenisation and self-reliance.

Key aspects include:
1. Enhancing infrastructure to support indigenous manufacturing.
2. Providing financial incentives and tax benefits to attract investment.
3. Simplifying regulatory processes to ease the business environment for defence manufacturers.

MAKE IN INDIA IN THE DEFENCE SECTOR

India's defence manufacturing has witnessed remarkable progress under the Make in India initiative. Historically dependent on foreign suppliers for critical military equipment, the country is now steadily reducing its reliance on imports by building indigenous capabilities. Strategic policy interventions, increased budget allocations, and partnerships with the private sector have driven this transformation, placing India on the path to becoming a global defence manufacturing hub.
Key developments in India's defence sector include the design and production of advanced military platforms such as the Light Combat Aircraft (LCA) Tejas, Main Battle Tank (MBT) Arjun, Advanced Towed Artillery Gun System (ATAGS), Akash Missile System, and naval assets like indigenous aircraft carriers and submarines. Additional achievements:
1. Increased focus on research and development (R&D) to foster technological innovation.
2. Enhanced collaboration between Defence Public Sector Undertakings (DPSUs) and private entities.
3. Expansion of defence manufacturing capabilities through industrial corridors and clusters.

RECENT SURGE IN DEFENCE SELF-RELIANCE

India's indigenous defence production has reached new heights, achieving a record value of ₹1.27 lakh crore in FY 2023-24, up by 174% from ₹46,429 crore in 2014-15. This surge is driven by government policies encouraging private participation, innovation, and modernisation. Key highlights include:
1. 65% of defence equipment is now manufactured domestically, compared to the earlier import dependency of 65-70%.
2. A robust defence industrial base, comprising 16 Defence Public Sector Undertakings (DPSUs), over 430 licensed companies, and approximately 16,000 MSMEs, contributes to indigenous production.
3. Increased focus on manufacturing critical technologies, including missile systems, artillery guns, and electronic warfare systems.
Modernisation efforts have also been bolstered by the Cabinet Committee on Security's approval of significant procurement deals, such as 307 ATAGS artillery guns and 327 High Mobility Gun Towing Vehicles, developed by DRDO in collaboration with Bharat Forge and Tata Advanced Systems.

UNPRECEDENTED GROWTH IN DEFENCE EXPORTS

India's defence exports have seen exceptional growth, expanding from ₹686 crore in FY 2013-14 to ₹21,083 crore in FY 2023-24 — a 30-fold increase in a decade. This surge reflects India's growing footprint in the global defence manufacturing landscape.

Key milestones include:
1. Exporting defence equipment to over 100 countries, with the USA, France, and Armenia emerging as top buyers.
2. A diverse export portfolio comprising bulletproof jackets, Dornier Do-228 aircraft, Chetak helicopters, fast interceptor boats, lightweight torpedoes, and even 'Made in Bihar' boots used by the Russian Army.
3. Development of defence attaché networks to promote exports and identify market opportunities. To further boost exports, the government has set an ambitious target of achieving ₹50,000 crore in defence exports by 2029.

GOVERNMENT STEPS TO PROMOTE SELF-RELIANCE IN DEFENCE TECHNOLOGY

A series of policy measures and initiatives have been implemented to enhance self-reliance and encourage domestic manufacturing in the defence sector:
1. Innovations for Defence Excellence (iDEX): Launched in 2018, iDEX engages startups, MSMEs, R&D institutions, and academia to develop cutting-edge technologies. As of February 2025, 430 iDEX contracts have been signed, with grants up to ₹25 crore provided for critical technologies like AI, quantum technology, and autonomous systems. Creation of Defence Innovation Hubs to provide mentorship and infrastructure to startups.Organisation of defence challenges to promote innovation in key areas.
2.SRIJAN Portal: Launched in August 2020, SRIJAN facilitates the indigenisation of imported items by DPSUs and the Armed Forces. Over 14,000 items have already been indigenised. Enhanced tracking system to monitor progress and identify more items for indigenisation. Increased participation from private sector vendors and suppliers.
3. Positive Indigenisation Lists (PILs): These lists mandate the domestic procurement of over 5,500 items, of which more than 3,000 have been successfully indigenised as of February 2025.Implementation of phased timelines for indigenisation to encourage timely domestic production.Regular updates to the lists to include emerging technologies and systems.
4. Defence Industrial Corridors (DICs): Two corridors in Uttar Pradesh and Tamil Nadu aim to boost defence manufacturing by attracting investments. As of February 2025, 253 MoUs have been signed, with potential investments exceeding ₹53,439 crore.Development of specialised clusters for specific defence technologies, such as aerospace and armaments.Provision of common testing facilities and infrastructure support.
5. Ease of Doing Business (EoDB): The government has streamlined licensing processes, extended the validity of defence licences, and introduced an end-to-end digital export authorisation system, enhancing efficiency. Reduction in the timeline for obtaining clearances and approvals. Simplification of tax structures to encourage domestic and foreign investment.
6. MAKE Projects: These projects promote indigenous design and development under three categories: MAKE-I (government-funded), MAKE-II (industry-funded), and MAKE-III (manufactured under Technology Transfer).Increased funding support for prototype development.Emphasis on collaborative projects involving academia, industry, and the armed forces.

SIGNIFICANCE OF SELF-RELIANCE IN DEFENCE TECHNOLOGY

Achieving self-reliance in defence technology is crucial for enhancing national security, reducing vulnerability to geopolitical disruptions, and fostering economic growth. Indigenous manufacturing strengthens India's strategic autonomy, reduces the defence import bill, and generates employment. Additionally, it boosts innovation and technological advancements, positioning India as a key player in the global defence market. Additional benefits include:
1. Strengthened supply chain resilience to mitigate disruptions in global markets.
2. Increased export potential, contributing to foreign exchange reserves.
3. Greater control over the lifecycle management of critical defence platforms.

STILL, CHALLENGES PERSIST

Despite the remarkable progress, challenges remain in achieving full self-reliance:

1. Technological Gaps: India still relies on imports for certain critical technologies, such as jet engines and high-end sensors.

2. R&D Funding: Defence R&D expenditure, though increasing, needs to be scaled up further to match global standards.

3. Private Sector Participation: While private sector contributions are growing, more needs to be done to foster greater participation and collaboration.

4. Export Competitiveness: Indian defence exports face stiff competition from established global players, necessitating sustained efforts to enhance quality and cost competitiveness.

5. Integration of Emerging Technologies: Ensuring the timely adoption of disruptive technologies like AI, cyber warfare, and hypersonic systems remains a challenge.

WAY FORWARD

To address these challenges and achieve greater self-reliance, India can take the following steps:

1. Increase R&D Investment: Enhance funding for defence R&D to develop cutting-edge technologies domestically.

2. Strengthen Public-Private Partnerships (PPPs): Foster deeper collaboration between DPSUs, private companies, and startups.

3. Focus on High-End Technologies: Prioritise the development of advanced technologies like AI, cyber warfare, hypersonic missiles, and quantum computing.

4. Expand Export Markets: Strengthen diplomatic and trade relations to explore new export markets and diversify India's defence export portfolio.

5. Skill Development: Invest in training and upskilling the workforce to meet the growing demand for skilled professionals in the defence sector.

6. Boost Infrastructure Development: Develop state-of-the-art manufacturing facilities and testing ranges to enhance production capabilities.

CONCLUSION

The Make in India initiative has transformed India's defence manufacturing landscape, propelling the country toward self-reliance and global prominence. With sustained policy support, technological innovation, and private sector engagement, India is well on its way to becoming a global defence manufacturing powerhouse. While challenges remain, the path forward is clear — a future where India's defence forces are equipped with state-of-the-art, indigenously manufactured technologies, ensuring both national security and economic prosperity.

PRELIMS QUESTIONS:

Q.What is the primary objective of the Make in India initiative?

(a) Encourage foreign imports in the defence sector

(b) Increase outsourcing of manufacturing to other countries

(c) Transform India into a global manufacturing hub and promote self-reliance

(d) Focus solely on private sector exports.

ANSWER: C

MAINS QUESTIONS:

Q."Indigenisation in defence manufacturing strengthens national security and boosts the economy." Evaluate the impact of defence export growth under the Make in India initiative. (250 words, 15 marks)