Cabinet approved 30% salary cut and MPLADS suspended

Part of: GS Prelims and GS-II-Governance

Union Cabinet headed by Prime Minister (PM) Narendra Modi has approved an ordinance of 30% cut in the salaries of all Members of Parliament (MPs) for FY 20-21 and a two-year suspension (2020-21 and 2021-22) of the MP Local Area Development (MPLAD) scheme so that the amount saved can go to the Consolidated Fund of India to fight COVID-19. The Union Cabinet has approved an ordinance to amend the Salaries, Allowances and Pension of Members of Parliament Act, 1954. The saved amount will go to the Consolidated Fund of India to fight the Covid-19 pandemic.

Key Points

- **30% Salary Cut**
  - It is applicable to all MPs, including the Prime Minister and the Council of Ministers, for the financial year 2020-2021.
  - The President and Vice-President of India along with all the State Governors, have also decided on their own to take a 30% salary cut.
  - However, the amendment will only cut MPs’ salaries, not allowances or the pensions of ex-MPs.
  - According to the pay hike in 2018, each MP draws a monthly salary of ₹1 lakh, ₹70,000 as constituency allowance and ₹60,000 for running office besides other perks.

- **Suspension of MPLADS**
  - The amount saved from the scheme would be around ₹8,000 crore and will be redirected to the Consolidation Fund.
  - Many MPs had already pledged to use their MPLADS funds for efforts to combat the coronavirus pandemic.
  - 74 Rajya Sabha members had contributed a total of ₹100 crore, and 265 Lok Sabha members had given a total of ₹265 crore.

- Currently, the Lok Sabha has 542 members while the Rajya Sabha has a strength of 245 members, including 12 nominated.
- The comprehensive decision was taken to convey the message of social responsibility of the MPs.

- **Other Previous Measures**
  - The employees of the central government have already given one day’s salary on their own. However, it is not clear if they will face a pay cut or not.
  - State government of Telangana had already announced salary cuts at all levels on 30th March.
  - Government has announced various other measures including the Pradhan Mantri Garib Kalyan Yojana.

- The salary cut has been supported throughout the country. However, the suspension of MPLADS has been criticised on the grounds that it is a disservice to the constituents and will undermine the role and functions of the MPs. It is the centralisation of funds which goes against federalism.
Members of Parliament Local Area Development Scheme

- It was announced in **December 1993** under the control of the **Ministry of Rural Development**. Later, in **October 1994**, it was transferred to the **Ministry of Statistics and Programme Implementation**.

- **Objectives:**
  - To enable MPs to recommend works of developmental nature with emphasis on the creation of durable community assets based on the locally felt needs to be taken up in their Constituencies.
    - Lok Sabha Members can recommend works within their constituencies and elected Members of Rajya Sabha can recommend works within the State they are elected from.
    - Nominated Members of both the Rajya Sabha and Lok Sabha can recommend works anywhere in the country.
  - To create durable assets of national priorities viz. drinking water, primary education, public health, sanitation and roads, etc.
  - It is a **Central Sector Scheme**. The **annual MPLADS fund entitlement per MP constituency is ₹5 crore**.

**PT PICKUPS**

**Government Accounts**

- **Consolidated Fund**
  - It was constituted under **Article 266 (1)** of the Constitution of India.
  - It is made up of:
    - All **revenues** received by the Government by way of **taxes** (Income Tax, Central Excise, Customs and other receipts) and all **non-tax revenues**.
    - All **loans** raised by the Government by issue of Public notifications, treasury bills (internal debt) and from foreign governments and international institutions (external debt).
  - **All government expenditures are incurred** from this fund and no amount can be withdrawn from the Fund without **authorization from the Parliament**.
  - **Each state** can have its own Consolidated Fund of the state with similar provisions.
  - The **Comptroller and Auditor General of India** audits the fund and reports to the relevant legislatures on the management.

- **Contingency Fund**
  - It was constituted under the **Article 267 (1)** of the Indian Constitution.
  - Its **corpus is ₹500 crores**.
  - It is **used for meeting unforeseen expenditure**.
  - **Each state** can have its own Contingency Fund of the state with similar provisions.

- **Public Account**
  - It was constituted under **Article 266 (2)** of the Indian Constitution.
  - The **transactions** under this account relate to debt **other than those included in the Consolidated Fund of India**.
  - The receipts under Public Account do not constitute normal receipts of Government hence Parliamentary authorization for payments is not required.
  - **Every state can have their own similar accounts**.