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BUDGET
2001-
2002

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State Budget 2001-2002

BUDGET HIGHLIGHTS

HIGHLIGHTS OF KARNATAKA BUDGET 2000-2001

PRINCIPAL FEATURES

- A minimum growth rate of 7 to 8% to be achieved for the next ten years, as compared to 5% in the 1990's.
- Annual Plan outlay for 2000-2001 is Rs.7274 crores compared to the revised outlay of Rs.5231 crores of 1999-2000. This is an increase of 39%. Substantial increase in allocations for Irrigation, Rural Development, Education, Health, Water Supply & Sanitation and Social Welfare.
- Focus on poverty eradication, empowerment of women, employment generation, nutritional security, agriculture and infrastructure.
- Medium term fiscal targets fixed. By 2004 revenue deficit to be eliminated, fiscal deficit to be limited to 3% of GSDP and capital spending to be hiked.
- Value Added Tax to be introduced from 1st April 2001.

NEW INVESTMENTS

- World Bank assistance of Rs.13,000 crores in the next five years to finance projects in the key sectors of irrigation, watershed development, power, road, education, health, urban development and water supply.
- HUDCO loans of Rs.1580 crores in the next two years for projects in housing, road, water supply and sanitation.
- NDDDB investment of Rs.505 crores in dairy development, horticulture, animal husbandry, social forestry, oil seeds and fruits and vegetables marketing.

- OECF assistance of Rs.3600 crores in sectors including water supply.

WOMEN

- A new scheme to promote self-help groups (SHGs) for women called *Stree Shakti*. 1,00,000 groups to be set up in the first year with contribution of Rs.50 crores to the revolving fund.
- Ambedkar and Ashraya houses to be allotted in the name of women.

EDUCATION

- 11,000 incomplete school rooms to be completed at a total expenditure of Rs.45 crores.
- Free text books to all children up to class VII benefitting 16 lakh additional students at a cost of Rs.5.3 crores.
- Free Education for all girls upto PUC level
- Grant-in-aid to higher education to be reduced by 15%.

HEALTH

- Delivery kits to be made freely available to all midwives through PHC network.
- Personal hygiene kits for rural women to be distributed through PDS and Anganwadi workers. Subsidy of Rs.18 crores during the year.
- Refurbishing of 1000 PHCs to provide them with laboratories.
- 100 secondary hospitals to be made fully functional under the Karnataka Health Systems Development Project during the year.
- Health Information System to monitor epidemics to be set up in the districts.

AGRICULTURE

- Agriculture Commission for studying the gap between actual and potential yields of the agro climatic zones of the state to be set up.
- State to participate in Rashtriya Krishi Bima Yojana with a provision of Rs.100 crores.
- Multi-disciplinary Directorate of Watershed Development set up to provide thrust to watershed management in arid areas.
- Farmers' contact centres, *Ryot Mitra*, to be set up in each of the 745 hoblies.
- 100 cold storages to be set up with private participation. Concessional power at Re.1 below industrial tariff to be made available.

- Agriculture Credit disbursement to be doubled in the next three years with special emphasis on small and marginal farmers.

IRRIGATION

- Additional irrigation potential of 2 lakh hectares to be created during the year.
- Bennithora , Lower Mullamari, Amarja, Taraka, Chukinala, Devaraj Urs Canal (Varuna Canal) and Maskinala projects to be commissioned before the end of the year.
- Legislation regarding Water Users Association to be introduced. These associations will collect the irrigation charges and also be responsible for maintenance and management.

MINOR IRRIGATION

- *Jala Samvardhana Yojane* to be taken up for desilting and strengthening of tanks with World Bank assistance.

COOPERATION

- Government to contribute membership fee for SC/ST and minority community members.

HOUSING

- 2 lakh houses to be constructed during the year by the newly set up Rajiv Gandhi Rural Housing Corporation.
- Karnataka Housing Board to be revamped. To concentrate on providing housing to lower income and middle income groups.
- KSCB to augment its resources with HUDCO loans to take up additional works of slum improvement.

DRINKING WATER

- 55 LPCD of drinking water supply to be ensured in rural areas within the next three years.
- Drinking Water Schemes in 47 small and medium towns at a total cost of Rs.321 crores with HUDCO assistance in the next four years.
- A new scheme for total village sanitation called, *Swachha Grama* at a cost of Rs.180 crores. 1000 villages to be taken up next year.

PANCHAYATS

- Annual grants to Gram Panchayats doubled from Rs.1 lakh to Rs.2 lakhs
- 80,000 panchayat members to be given orientation training using satellite technology.

SOCIAL WELFARE

- Target for SC/ST houses being doubled from 50,000 to 1,00,000.
- 50 new SC/ST hostels for boys and 20 new SC/ST hostels for girls.
- 20 new post-matric hostels for girls of Backward Classes.
- 5 new post-matric hostels for minority girls.
- A one time scholarship grant of Rs.50,000 to SC/ST boys and girls getting admission in IITs, IIMs, IISc, and IIIT, Bangalore.
- Budgetary allocation of Karnataka Minority Development Corporation increased by 25%.
- Share capital of Karnataka Backward Classes Development Corporation enhanced by Rs.1 crore.

RURAL YOUTH

- New scheme called *yuva.com* to be introduced to provide IT training to educated rural youth. 225 centres to be established next year to provide training to 1 lakh unemployed youth.

SERICULTURE

- A new scheme *Reshme Sampathu Yojane* to be introduced for enhancing production of high quality silk cocoons. To be targeted at SC/STs, small and marginal farmers and physically handicapped.

SUGAR

- 11 new co-operative sugar factories to be set up.
- Co-generation by sugar factories to be encouraged.
- Karnataka Sugar Institute to be set up in Belgaum in collaboration with the sugar industry.

FISHERIES

- Scheme for providing diesel to marine fishermen to be simplified.

FOOD AND CIVIL SUPPLIES

- Ration Cards to be computerised in a phased manner starting with Bangalore.
- Ineligible card holders to be weeded out.

REGIONAL DISPARITY

- Some of the Government offices to be shifted to North Karnataka.
- Software technology park to be started in Hubli within two months.

- North-Eastern Road Transport Corporation to be started in Gulbarga.
- Food processing park to be started in Bagalkote.
- Tadri Port to be developed by the private sector.

PUBLIC SECTOR

- Public Sector Restructuring Committee set up to recommend restructuring of PSUs.
- The role of KSIMC to be redefined.
- Karnataka Construction Corporation to be wound up.

URBAN DEVELOPMENT

- Property tax assessment to be made simple and transparent.
- Urban Infrastructure Projects to be taken up with the assistance of World Bank, ADB and HUDCO.

INFRASTRUCTURE

- Infrastructure Development Corporation of Karnataka (IDeCK) set up in collaboration with IDFC. Government to contribute Rs.200 crores as one time equity support. IDeCK to spend Rs.600 crores on Infrastructure Projects during next year.
- KLAC to be involved in Rural Infrastructure Development Fund projects under NABARD.
- Infrastructure Cess on sales tax, excise licence fees, motor vehicle tax and non judicial stamps to be continued for another two years.

RAIL PROJECTS

- Karnataka Rail Development Corporation to be set up with 26% equity of state government and equity partnership of IDFC and HUDCO. It will take up key lines of Hubli-Ankola, Gadag-Sholapur, Sakaleshpur-Mangalore and doubling of Bangalore-Mysore.

POWER

- Power sector to be restructured.
- Universal metering to be achieved in a phased manner.
- Rs.6500 crores to be invested for strengthening the transmission and distribution network.
- 2 lakh households to be covered under Bhagya Jyothi next year by extending the scheme to houses two poles away from the LT line.

- KPTCL to complete electrification of 18000 hamlets in the next five years.

TRANSPORT

- 10,000 kms of rural roads to be upgraded next year.
- Karnataka Road Development Corporation to spend Rs.200 crores to improve state highways and construct 100 bridges next year.
- Bangalore-Mysore Infrastructure Corridor in the private sector to commence soon.
- Road Transport Corporations allowed to automatically revise their tariff to absorb increase in fuel prices.

BHOOMI

- RTCs in computerised format to be made available to every single ryot next year.

TEXTILES

- Apparel Export Park to be set up in Whitefield.

INDUSTRY

- Global Investors Meet to be organised in June 2000.

MINING

- A new mining policy to be announced in the next two months.

KNOWLEDGE BASED INDUSTRIES

- State Council for IT education and training to be set up.
- Number of students graduating in IT to be increased from 9620 to 20,000.
- Incubation centres for IT and Biotechnology to be set up.
- A vision group on Bio-technology to be set up.

BANGALORE

- Bangalore Agenda Task Force recommendations to be actively implemented.
- Amendments to Property Tax Legislations to be done to enhance the collection of BMP by 50%.
- Vidhana Soudha South Block to be constructed to accommodate government offices .
- Race Course and Central Jail to be relocated outside the city.

TRANSPARENCY IN ADMINISTRATION

- Right to Information Bill and Transparency in Tenders and Procurement Bill to be introduced.
- Administrative Reforms Commission to be set up to simplify government rules and procedures.
- Concurrent Social Audit of all government schemes to be conducted by independent agencies.
- Seva Mitra, a service facility for NGOs to be introduced.

DEVELOPMENT OF KANNADA

- Development of Kannada Software to be encouraged.
- Commission for studying the problems of Kannadigas in the bordering states to be set up.

HOME

- Rs.160 crores to be provided by HUDCO and HDFC towards police housing.
- 10 new police stations to be started this year.

TAXATION PROPOSALS

COMMERCIAL TAXES

- Objective is to further the process of rationalization of the sales tax structure in the state by the following steps:
 - Measures to rationalize the existing tax structure and tax laws
 - Major reliefs and concessions to priority sectors like Agriculture, Small-scale sector and Export sector.
 - Additional Resource measures

CONCESSIONS TO AGRICULTURE SECTOR

- Chemical Fertilizers and its mixtures totally exempted from all the taxes.
- Rate of tax on Sprinklers and Drip irrigation equipments reduced to 4% from the existing 8%.

- Tractors, Power Tillers and Trailers exempted from all taxes.
- All kinds of sowing seeds (other than oil seeds) and certified seeds of oil seeds exempted from all taxes
- Jaggery exempted from Turnover tax
- Coffee growers offered composition scheme upto 150 acres.
- Exporters of Coffee, Cardamom, pepper offered 4 months time for export.
- Raw silk and silk yarn are exempted from all taxes.
- Ragi flour is also given exemption.
- Tax on insecticides, pesticides and plant regulators reduced to 2% from 4% and 10%.

CONCESSIONS TO SMALL SCALE SECTOR

- Tax on industrial inputs manufactured and sold by the SSIs reduced to 2%.
- Turnover Tax on the goods sold as inputs to industries against a concessional form uniformly fixed at 1% .
- Limit for summary assessments for SSIs increased from the present Rs.25 lakh to Rs. 50 lakh and the procedure for filing supporting documents is simplified.
- Consumables (except Petroleum products) also can now be purchased as raw materials at a concessional rate available to raw materials.

CONCESSIONS TO EXPORT ORIENTED UNITS

- All Industrial units offered refund of tax in respect of tax paid on raw materials and component parts used for export.
- Set off on Tax paid allowed.

TAX RELIEF FOR THE POOR

- Aluminium domestic Utensils, Rice Soji, Country Bricks and tiles, coconut husk are exempted from all the taxes; Rate of tax on Brass, Bronze and Copper Utensils reduced to 4%; TOT on Bicycles and its parts, tyres, tubes and flaps are exempted.

OTHER RELIEFS

- Form 32-B to be amended with retrospective effect to curtail the difficulties faced by the business.
- Composition scheme for lumpsum payment of tax to be granted for Granite Jalli crushers;
- Catering business run by Women encouraged by extending the benefit of payment of tax in lumpsum under a composition scheme.
- Lease tax made a single point levy.
- Various other reliefs like set off of tax paid on cement used in the manufacture of RCC poles etc., allowing casurina and eucalyptus to be purchased as raw materials granted.

RELIEF TO FILM INDUSTRY

- Transfer of right to use feature films for exhibition is exempt from tax.

RATIONALIZATION MEASURES

- As a step toward Value Added Tax, the minimum level for payment of Turnover Tax reduced from 3 to 2 i.e., 1.5% and 3% . Dealers reaching the next higher slab for the first time are allowed to pay the same at the lower rate only.
- Limit of turnover for self-assessments to other dealers raised from the present Rs.25 lakhs to Rs. 40 lakhs.
- Dealers with a turnover upto Rs.7.5 lakhs are allowed to file their returns once in a quarter.
- Assessments of dealers with a turnover of Rs.5 lakhs upto the year 31.3.1998, will be concluded summarily by accepting the returns filed by them, if the returns have been filed on or before 31.3.1999.
- As a one time measure, assessments of the dealers with a turnover upto Rs.15 lakhs will be concluded by accepting the returns filed if the

same have been filed on or before 31.3.1999 alongwith the declaration forms subject to certain conditions.

- Similar goods dealt under the same roof, rate of tax on such related goods like crockery and cutlery are brought to the same level.
- Kara Samadhana Scheme offered
- Tax on IML to be levied at two stages.

ENTERTAINMENT TAX

- Rate of tax on Films, other than Kannada films is increased to 100 per cent.
- Exemption on Kannada films continued.

LUXURY TAX

- Luxury Tax of 15% reduced to 12.5%.

EXCISE

- To encourage local industries in general and beer industries which manufacture low alcoholic beverages in particular, beneficial changes have been made in the import and export duty structure.
- Introduction of a new scheme for speedy recovery of excise arrears by waiving off interest for those who pay the principal amount. The Scheme will be in operation for 3 months.

STAMPS AND REGISTRATION

- The rate of stamp duty is reduced from 10% to 9% for properties situated in Muncipal Corporations/ Councils and Notified Areas, other than BMRDA limits.
- The rate of stamp duty is reduced from 10% to 8% for properties situated in Rural Areas.
- The rate of stamp duty on low costing apartments/flats is reduced from 4% to 2%.
- For those who have presented documents for Registration on or before 16-8-1999, to clear undervalued documents, a revised "One Time Settlement Scheme" is introduced. 30% concession of stamp duty in the first phase and 20% concession in the second phase is allowed.

- For key projects in core sector, Government on a case to case basis may give 100% stamp duty exemption.
- 50% concession of fees for Women, SC and ST Societies.

TRANSPORT

- Reduction in rate of tax for Tourist Vehicles and Maxi-cabs of other States visiting Karnataka in order to encourage tourism.
- New Tax Rate introduced for Private Service Vehicles (Factory Vehicles), allowing leasing of Vehicles by the Factory to carry their employees from their residence to the place of work and vice versa.
- Life time Tax is introduced for Omni buses having floor area of more than 4Sq. Mtr. and upto 5 Sq. Mts.
- Tax rates increased for Tourist Vehicles, Tourist transport operator permit vehicles, Private Service Vehicles, Omni Buses and Motor cabs.

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