State Budget 2002-2003

TAX Proposals-A

164. I now take up the taxation proposals:

165. As mentioned in the Medium Term Fiscal Plan, improvement of tax buoyancy through comprehensive tax reforms is the critical step in achieving fiscal balance. The crucial issues that need to be addressed are: expand the tax base through improvement in coverage and reduction of exemptions, rationalise tax structure, improve tax compliance and strengthen tax administration and enforcement. The Tax Reforms Commission has submitted two reports that contain a large number of useful and practical recommendations. Based on these suggestions and other responses, we have formulated the current proposals to improve revenue productivity of the taxes while simplifying and rationalising the tax structure to make the system more customer-friendly and self-compliant.

COMMERCIAL TAXES:

166. Commercial Tax revenue continues to be the mainstay of the State's revenue. Our endeavour has been to bring in reforms to make this revenue productive, reduce its influence on economic choices so that the economic activity in the State is not hindered. We have to make taxation easy and transparent. We have attempted to simplify procedures, extend tax concessions to deserving sectors and create an overall environment that encourages self-compliance at minimum cost to the trade and industry. The efforts at the national level to usher in reforms in domestic indirect taxes have reached a crucial stage. Accepting the recommendations of the Empowered Committee of the States' Finance Ministers to make the 'floor rates' meaningful, the Union Government has proposed amendments to the Central Sales Tax Law that would further reduce the unhealthy 'rate war' among States.

167. Sir, delay in the amendments to the Central Sales Tax Law is one of the reasons that forced the States to defer introduction of Value Added Tax to April, 2003 from the earlier agreed date of April, 2002. As the Honourable Members are aware, the share of tertiary sector in the State domestic product is continuously going up. The revenue productivity from this sector can be captured only through service tax. I would request the Central Government to let the State Governments integrate services into VAT that would come into effect from 1-4-2003 and let the States retain the revenue earnings from this tax. This would go a long way in halting the fall in tax buoyancy. This would also be logical as services contribute significantly to value addition in goods at various stages and would help in introduction of a holistic VAT. I am happy to announce that the State has been taking concrete steps to introduce VAT on goods. The Technical Assistance taken by the State Government from the World Bank to prepare the ground for successful introduction of VAT has been quite helpful. The

officers of the Commercial Tax Department are being trained by experts on business procedures, change management (including perceptions and attitudes), skill up-gradation, etc. Model VAT legislation has been brought out; this has received positive response from the trade and industry. A draft VAT Policy paper outlining the design of the proposed VAT would be circulated amongst the Hon'ble members for their valuable suggestions.

168. During the year, the department of commercial taxes would bring out a "Citizens' Charter" that would clearly define the services that the trade and industry could expect from the department.

169. Last year, I introduced some measures to rationalize the tax structure to prepare the ground for introduction of VAT. The Self-assessment Scheme and the One-time Acceptance of Returns Scheme were welcomed by the trade and they have been successful in their aim to reduce pendency of assessments. This year, I propose to take up substantial rationalization measures in the areas of tax levy and its management. I am guided by the recommendations of the Tax Reform Commission in this endeavour.

SALES TAX:

Rationalisation measures:

170. Abolition of multiple levies: Abolition of turnover tax has been a long pending demand of the trade and industry. This graded and non-collectable tax is argued to be hindering normal business growth and adversely affecting second and subsequent traders with low fixed margins. Similarly, there have been requests for abolition of cess and entry tax through merger with sales tax. While cess is viewed as an avoidable additional levy, entry tax on raw materials and inputs is held as cascading in nature. The Tax Reforms Commission too has made recommendations for harmonization of sales tax rates and merger of levies.

171. I have examined the issue very carefully. I hold that abolition of multiple levies and simplification measures should precede introduction of VAT. It is time we made our taxes transparent and simple to encourage self-compliance, boost economic activity and attract prospective investors. In this direction I am happy to propose abolition of turnover tax and cess. I also propose to abolish entry tax now levied at 1% on raw materials and other inputs excepting those used in tobacco products and liquor. I also propose to abolish Entry Tax on packing materials.

172. The above proposals entail regrouping of commodities and harmonization of tax rates. I propose to abolish the rate slab of 10% and regroup most of the commodities under 2%, 4%, 8%, 12% and 15% categories while maintaining special rates of 1% for bullion and jaggery, and higher rates for Petrol and Diesel. Only a few commodities are proposed to be grouped under 20%. Certain commodities like tobacco products, narcotics, etc. are proposed to be classified under 25% categories. The proposed modified rates are furnished in Annexure-II

173. In refixing the tax rates I have left undisturbed the current basic tax rates on commodities of mass consumption like atta, maida and soji of wheat, dry chillies, folding umbrellas, firewood, charcoal, coir products, edible oil, agarbathi, safety matches, toothpaste, tooth powder, bicycles, etc. Similarly, I propose to continue the low rate of tax on commodities related

to agriculture like arecanut, coffee seeds, chemical fertilizers, insecticides, agricultural implements including tractors, etc. I also propose to reduce tax rates to 4% on commodities like chicory, copper ingots, ores, cocoa pods, beans and powder, tamarind, etc. that are basically used as raw materials and inputs. This would mean that effective tax rates of these commodities would be lowered by 1.6% or more. It is also proposed to regroup similar commodities but with different tax rates like spectacles and glasses, and all parts and accessories of motor vehicles, under single rate to make accounting simple. The rate of tax of commodities that are highly tax-sensitive like earth moving machinery, machine tools, paper, motor vehicles, their parts and accessories, audio and video cassettes are also continued under the old tax rates. However, while continuing the current rate on commodities like cement, lifts, elevators, etc, I propose to levy and also increase entry tax on such commodities to prevent trade diversion.

174. These reform measures come at a cost: Rs. 200 crore. But my Government is committed to bring in reforms in the overall interest of the economy.

175. At present the purchases by Government Departments, Statutory bodies, etc attract a 4% tax in addition to the cess and the turnover tax paid by the seller (effective tax being in the range of 5.7% to 7.2%). However to encourage local procurement, I propose to fix a tax rate at 5%, after merger of levies, on these purchases.

176. The proposed tax rates on many items of mass consumption would be much lower than the current effective rates. I appeal to the trade and industry to pass on the benefit of this tax reduction to the consumers.

177. VAT entails multipoint levy of tax at all points of production and distribution. The second and subsequent dealers in the trade channel who are currently paying a nominal non-passable turnover tax of 1% would have to pay tax under VAT which could be higher but collectable. As an intermediate measure and to prepare dealers for a smooth transit to VAT, I propose to introduce a collectable resale tax of 1.5%. Most of the commodities, which are totally exempt from tax on their second and subsequent sales, however, are proposed to be exempt from this new levy. This collectable new levy should induce the entire trade to issue bills on all their sales.

178. I request the consumers to demand bills for all purchases.

179. I propose to continue most of the benefits of tax exemption and reduction

extended to different commodities and transactions by notifications,

TAX COLLECTION THROUGH BANKS

180. I propose to introduce a system of collection of tax through banks after necessary clearance from the Reserve Bank of India. This would reduce unproductive paper work in the department and speed up realization of revenue. This would be dealer-friendly also.

ABOLITION OF INTERMEDIATE CHECKPOSTS:

181. I propose to abolish four intermediate check posts at Sira gate (Tumkur), Charmadi, Srirangapatna and Gundiya, as their present location hinders free movement of goods. I would re-locate them at the State borders.

ADMINISTRATIVE REFORMS:

182. In order to improve efficiency of the department and prepare it for VAT, I propose to:

(a) re-structure the department on the principles of functional organization,

(b) provide for setting up of a committee of Additional Commissioners to issue statutory clarifications on classification of commodities, tax rates, and eligibility of transactions to tax,

(c) strengthen the activities of Intelligence and Coordination, Inter-State investigation, Vigilance, Audit, Cross-verification and Recovery wings, with re-deployment and provision of additional officers, staff and vehicles.

(d) create two zones outside Bangalore, each under an Additional Commissioner, and assign all Additional Commissioners with more statutory and administrative powers with a view to decentralize functions,

SIMPLIFICATION OF TAXATION OF INDUSTRIAL INPUTS:

183. In the previous budget, I had introduced a new account-based scheme of rebating of tax on industrial inputs in order to prepare the trade and industry for a similar system under VAT. Unfortunately a section of the industry working on low working capital could not adjust to the new system and I so in September 2001, I had to give them an option to adopt the old declaration-based tax concessions.

184. I propose to restore the old declaration based tax concessions. To reduce trade diversion, I propose to allow manufacturers to purchase wood, bamboo and timber for use as raw materials at a concessional tax rate. I also propose to extend the tax concession on raw materials like ores and other inputs purchased from un-registered dealers that are taxable at purchase point. As a further relief to the industry, I propose to allow dealers with annual turnover of above Rs.1 crore to use their own self-declarations instead of Form 37 obtained from the department. During the course of the year, the department would issue Form-37 declarations, 'on-line', wherever required, as a part of our e-governance initiative.

185. Keeping in view the abolition of levies stated earlier, I propose to fix a flat rate of 4% on all industrial inputs; this is lower than the present effective rates.

RELIEFS AND CONCESSIONS

Relief to Export Oriented Units / Export Houses:

186. In the last year's Budget, I had extended the benefit of refund of sales tax and entry tax paid on raw materials and components used in the goods exported by manufacturers in the State either directly or through other exporters in the State to make exports more competitive. In addition, the Government has also extended the benefit of sales tax and entry tax exemption on purchase of raw materials and components to 100% Export Oriented Units (EOU). I propose to continue these concessions during the current year too.

Set-off facility to edible oil industry:

187. The industry has been representing for extending the benefit of setting off tax paid on oilseeds against tax payable on edible oil and oil cake manufactured by them to enable them to compete with manufacturers in the neighbouring States who are enjoying similar benefits. I propose to extend to them the set-off facility. In order to make the scheme work smoothly and also to adhere to the floor rate, I propose to revise the tax on oilseeds to 4% with suitable modifications on the point of tax levy. I hope the edible oil industry would utilize this benefit and improve their tax compliance.

188. My Government has been very receptive to the representations of the trade and industry in matters of tax and other reliefs. After careful examination of the representations received for tax reliefs, I extend the following reliefs and concessions:

189. I propose to exempt tax on second and subsequent sale of aerated waters that has affected manufacturers.

190. I propose to continue exemption on certain medicines used for treating cancer, AIDS, and in kidney transplant. In addition, I propose to exempt certain specified medicines used for treating epilepsy.

191. I propose to reduce tax on,

(a) Parts and accessories of mobile phones, SIM cards and Smart Cards to 4% on par with similar electronic goods.

(b) Baje (Calimus root) to 4%.

(c) Pulses to 1% as a measure of relief to farmers and also to prevent trade diversion.

(d) Castor oil to 4%.

(e) Wheat husk and dust to 2%

(f) Aluminium ingots, billets and wire rods against Form-37 declarations to 2% to induce manufacturers of these goods to sell from within the State. This relief would be reviewed periodically.

(g) Certain I.T. products specified in Annexure-III to 4%.

192. I propose to extend the benefit of composition to all caterers on par with hoteliers and restaurateurs except when they cater in hotels and restaurants serving liquor. I also propose to extend the benefit of composition to such caterers and dealers who serve food in registered clubs.

193. I propose to:

(a) Permit dealers with annual turnovers exceeding Rs.50 lakh to use their own self-delivery notes for movement of goods, instead of Form-39.

(b) Permit dealers to use self-delivery notes for intra-city and intra- industrial area movement of goods in situations other than as a result of sale.

(c) Introduce a scheme for dealers paying annual tax of more than Rs.50 lakh (as per Form 4 return of 2000-01) and 100% EOUs, for expeditious clearance of their consignments at special counters to be provided at the check posts by issue of Gold Cards to them.

(d) Reintroduce the system of providing passbooks containing particulars of tax payments to dealers which would avoid disputes relating to payment of tax.

(e) Abolish Form 32-B declarations that caused much hardship to the trade and industry. Keeping in view the non-supply of statutory forms by the department during part of 1995 and 1996 that prevented dealers from obtaining these declarations from their suppliers, I propose to permit them to furnish alternative proof during this period in support of their claims.

(f) Withdraw the provision made last year requiring transporters to register, and make them furnish information only in selected cases to the authorities concerned.

(g) Increase the validity period of Form-39 delivery notes, wherever applicable, from three to six months.

(h) Increase the turnover limit for self-assessment in respect of manufacturers to Rs.1 crore and fix a limit of Rs. 50 Lakh for traders, and make audit of accounts compulsory in such cases.

(i) Permit dealers to furnish Form 37 declarations even after finalisation of assessment, but within one year, subject to deposit of tax assessed in order to lessen the hardship and cost of appeal in such cases.

(j) Reduce penalty in respect of offence relating to not calling at the first check post in the State and fix it at 100% to 150% the tax involved in respect of consignors and consignees who are registered dealers.

Rationalization of tax provisions.

194. I propose to:

(a) Suitably amend the relevant provisions relating to sale of branded goods so as to make them applicable to (i) even cases where brand name or trade mark is pending fresh registration or pending registration of transfer, (ii) unregistered brand name or trade mark of owners with annual turnover above one crore rupees and (iii) exclusive marketing agent, distributor or wholesaler of branded goods to make the provisions more effective.

(b) Fix a time limit of 90 days for disposal of appeals relating to check-post cases covered by stay orders.

(c) Empower appellate Deputy Commissioners to deal with appeals relating to check-post cases for speedy disposal.

(d) Restore the powers of remand of the first appellate and revision authorities and also prescribe for one-time remand and time limit of 90 days for finalisation of fresh assessments with a provision for restoration of original assessment if the dealer does not cooperate.

(e) Restore the stay powers to the State Appellate Tribunal to the extent of 50% of the tax disputed in second appeals and fix a time limit of 180 days for disposal of such appeals.

(f) Harmonise penalty in respect of unaccounted stock of goods with the penalty for contravention in transport of goods.

**(g) Remove ambiguity in the provision relating to punishment for failure to pay tax arrears of
Rs. 10 lakh and above.**

(h) Bar works contractors procuring goods from outside the State even without "C" form from availing of the benefit of composition.

(i) Provide for automatic levy of interest on delayed payment of tax or other amounts due even where recovery of such amount is stayed in appeal or any other proceedings.

(j) Reduce discretion in levy of penalties in case of assessment, re-assessment, short payment and misuse of tax concession within a band of 50% of the tax involved as the present discretion is large.

195. The composition scheme for dealers in lottery tickets introduced by me during last year has not elicited sufficient response because of the high composition rates and low scheduled rate. Therefore I propose to increase the scheduled rate on lottery tickets to 20% and revise the composition rates as in

Annexure - V.

196. The Government of India has proposed amendments to the Central Sales Tax Act permitting multi-point levy of tax on declared goods as a prelude to VAT. I propose to make an enabling provision under the Karnataka Sales Tax Act by suitable amendment to the provisions under Fourth and Fifth Schedules for levy of multi-point tax after the proposed amendment to CST Act is given effect to by the Government of India.

197. I propose to amend the entry relating to Indian musical instruments and list them to remove ambiguity in the present entry.

198. I also propose to ammend retrospectively the entries in the Fourth Schedule relating to sponge iron, and aviation turbine fuel sold to turbo-prop aircraft to fall in line with the

amendments to the Central Sales Tax Act from April 2001, deeming them as declared goods.

TAXATION OF PETROLEUM PRODUCTS:

199. The Union Government has announced dismantling of Administered Price Mechanism (APM) in respect of petroleum products from April 2002. This may lead to fluctuation in prices of these goods. I propose to revise the scheduled rate and keep it as a ceiling in respect of high revenue yielding petroleum products. At the same time I shall fix a suitable rate for levy by way of issue of notifications keeping in view the interests of consumers and of revenue.

200. I propose to withdraw the benefit of concessional tax rate of 4% on certain high value Canteen Stores goods listed in Annexure-IV.

201. To comply with the floor rates, I propose to re-introduce tax of 4% on Computer Software.

Rationalisation Measures under the Central Sales Tax :

202. The Government of India has proposed certain amendments to the Central Sales Tax Act to make the floor rates meaningful throughout the country. One such amendment relates to restricting the power of waiver of C and D forms by the State on interstate sales. I propose to withdraw all notifications waiving requirements of C and D forms while continuing the tax reduction and exemption extended.

Reliefs:

203. I propose to reduce tax on interstate sale of Plastic woven sacks, SIM Cards and Smart cards against C and D Forms from 4% to 2% to encourage their sale from our State.

LUXURY TAX:

Rationalisation Measures:

204. To remove ambiguity and uncertainty, I propose to list out imported electronic goods that were brought under the Luxury Tax from April 2001, in

Annexure - VI

ENTERTAINMENT TAX:

Rationalisation Measures:

205. I propose to :

> **(a) bring in suitable amendment to define the term "sponsored entertainment",**
>
> **(b) provide for calling for production and seizure of books of accounts and also for sealing of business premises by Inspecting Officers,**
>
> **(c) increase penalties for contravention of provisions of the law to Rs. 10,000 in respect of the first offence and Rs. 15,000 for every subsequent offence within a financial year.**

206. I propose to :

(i) levy tax at 20% on admission charges to amusement parks, theme parks, water parks, recreation parlours with facilities for games like billiards, snooker, bowling, video game, etc.

(ii) increase the composition amount in respect of Video parlours

(a) situated within Corporation limits to Rs.15,000 per month.

(b) situated within the limits of City and Town Municipalities to Rs.7500 per month.

(iii) levy tax at 10% of the receipts of Multi System Operators who are providing signals of satellite and other T.V. channels to cable operators.

RELIEFS:

207. I propose to :

(a) Exempt tax on Kannada films which are remakes from other languages and which have obtained Censor certificate on or before 31st March 2002, for the period 1-4-1996 to 31-3-2002.

(b) Reduce tax by 25% on remake Kannada films for one year from 1-4-2002.

(c) Reduce tax on non-Kannada films from 80% to 70%.

(d) Increase the exemption limit of admission charges in respect of cultural

events from Rs.100 to Rs.250 on par with games and sports.

(e) Increase the non-taxable Service Charges permitted to be collected by exhibitors from the present Re.1 to Rs.1.50.

AGRICULTURAL INCOME TAX:

RELIEF:

208. I propose to remove the present restriction of compulsory payment of tax under composition for three years by assessees who opt for it and make the scheme available for one year.

BETTING TAX:

209. I propose to increase the rates of Betting Tax and also revise the composition amounts as in Annexure-VII

ENTRY TAX:

RELIEFS:

210. I have already mentioned about the abolition of Entry Tax on all raw materials and inputs now levied at 1% (except those used in tobacco products and liquor) and on all packing materials earlier. In addition, I propose the following

RATIONALISATION MEASURES:

211. The penalty provisions relating to contraventions in transport of goods would be harmonized with the corresponding provisions of Karnataka Sales Tax Act.

212. As a sequel to the abolition of turnover tax and cess, I propose to :

(a) revise the tax now levied on Petroleum products to 5%.

(b) tax Cement at 5%,

(c) revise the tax on Rubber and other Tyres, Tubes and Flaps to 2%.

213. I propose to :

(a) bring in a new enactment providing for levy of tax on Marble and Marble articles and also Plastic Granules brought into the State at the same rate as the Karnataka Sales Tax rate with provision for set-off against any sales tax payable in the State to prevent trade diversion and protect the local trade and industry.

(b) levy 5% tax on Naphtha to prevent trade diversion.

214. I do hope that these reform measures would give a fillip to trade and industry and reduce the revenue loss.

215. Consequential Amendments: The above measures necessitate amendments to the provisions of respective tax laws. These amendments together with other amendments for rationalization will be placed before the House for consideration and approval.

EXCISE

216. I propose to increase the licence fee levied in case of Retail shops (CL-2), Refreshment Rooms(Bar) (CL-9), Hotel and Boarding Houses (CL-7), and Military Canteen Stores Bonded Warehouse licences (CL-8) and to revise the Bottling licence fee as given in Annexure VIII. It is proposed to insist on a bank guarantee of Rs.10 lakh from each wholesale licensee at the time of grant or renewal of licences in order to adjust the

amount towards payment of any dues or penalties imposed for violation of licence conditions etc.

217. In order to have a clear cut distinction between the licenses granted to star hotels and other hotels, it is proposed to introduce a new class of licence for star hotels (CL-6A) by charging a fee of Rs.4 lakh per annum. New licences to hotels and boarding houses(CL-7) will be granted only to hotels and boarding houses having a minimum of 30 rooms in Corporation areas and 20 rooms in other areas. However, the existing licenses will be renewed according to the existing law.

218. The Subject Committee on excise has recommended to reduce the licence fee levied on Clubs (CL-4) taking into account, the location and population of the area. Accordingly, I propose to revise the licence fees as given in Annexure VIII. New licenses will be granted only to those clubs which have their own land and buildings or have obtained them on long lease and have the prescribed facilities for indoor and outdoor games. However, the existing clubs will be allowed to renew their licences under the existing law.

219. In order to promote tourism, I propose to rationalize the taxes levied on imported foreign liquor. The revised label fee would be as given in Annexure VIII. The special fee would be as follows and shall come into effect from 1-4-2002.

(a) In case of liquor other than Beer and Wine at 66% ad valorem (on landing cost inclusive of all taxes levied by Government of India) or Rs.130 per bulk litre whichever is higher in respect of liquor costing upto Rs.1200 per case of 9 litres and 33% ad valorem (on landing cost inclusive of all taxes levied by Government of India) in respect of liquor costing above Rs.1200 per case of 9 litres.

(b) In case of Beer at 66 % ad valorem (on landing cost inclusive of all taxes levied by Government of India) or Rs.40/- per bulk litre whichever is higher, and

(c) In case of wine at 66% ad valorem (on landing cost inclusive of all taxes levied by Government of India) or Rs.200/- per bulk litre whichever is higher in respect of wine costing upto Rs.1200 per case of 9 litres and 33% ad valorem (on landing cost inclusive of all taxes levied by Government of India) in respect of wines costing

above Rs.1200 per case of 9 litres.

220. In order to beneficially utilise the excess re-distillation capacity available in the State and also to encourage export of rectified spirit and neutral spirit, I propose to revise the fee levied on rectified spirit as given in Annexure VIII.

221. Primary distilleries manufacturing rectified spirit out of molasses will be permitted to issue rectified spirit to such licensees as have taken licence to manufacture rectified spirit out of molasses and have installed only re-distillation plant but have not established primary distillery, on payment of Rs.3.00 per bulk litre for re-distillation and further export of resultant neutral spirit or extra neutral spirit by the latter distilleries on payment of a re-distillation fee of Re.0.50 per bulk litre on neutral spirit or extra neutral spirit exported by the latter. In order to narrow down the difference between the fee levied on rectified spirit used for captive consumption and sold to others, the fee levied on captive consumption will be increased from Rs.3.00 to Rs.4.00. per bulk litre.

222. In order to give encouragement to domestic industries to export rectified spirit, I propose to reduce the export fee levied on rectified spirit for potable purposes from Rs.3.50 to Rs.3.00 per bulk litre. Further, I propose to increase the fee levied on rectified spirit exported for non-potable purpose from Rs.2.75 to Rs.3.00 per bulk litre. I also propose to allow export of rectified spirit out side India by levying a fee of Rs.1.00 per bulk litre, so that the molasses available in the State and the distillation capacity can be beneficially utilised.

223. The above provisions relating to rectified spirit shall come into effect from 1-4-2002.

224. As recommended by the Tax Reforms Commission, I propose to bring necessary legislation to regulate the production, storage, sale, utilisation and transport of molasses.

225. In order to streamline the collection of bank guarantees and secure arrack rentals it is proposed to insist on payment of Earnest Money Deposit of one and a half month's rentals at the time of participating in the excise auction or tender, instead of one month's rental as prevailing now. After the confirmation of the bids, bank guarantees have to be furnished as follows;

a) A bank guarantee equivalent to one month's rental within 15 days

b) Another bank guarantee equivalent to one month's rental within 30 days and

c) The third bank guarantee equivalent to one month's rental within 60 days from the date of receipt of confirmation order by the person in whose favour the highest bid is confirmed, failing which the contract shall be cancelled.

226. Further, in order to provide an impetus for competitive bidding in arrack auctions and keeping in view the prevailing

interest rates in the country, I propose that the interest charged on belated payment of shop rentals be revised to 15%.

227. In order to further tighten up enforcement, I propose that the vehicles seized as liable for confiscation in excise cases shall be released only on production of a bank guarantee for an amount equivalent to the value of the vehicle instead of releasing on indemnity bond, by amending the existing laws.

228. Keeping in view the recommendations of the Tax Reforms Commission, I propose to introduce measures to prescribe minimum off take of liquor by CL-2 and CL-9 licensees, in order to net more revenue.

229. In order to streamline the disposal of confiscated liquor, I propose that the confiscated liquor found fit for human consumption may also be sold through retail outlets of Mysore Sales International Limited, specifically sanctioned for this purpose.

230. In February 2001, a decision was taken to merge the sales tax with excise duty on an experimental basis.The system is functioning well and it will be continued.

Stamps & Registration

231. I propose the following changes in the Karnataka Stamp Act, 1957, Karnataka Societies Registration Act, 1960 & Rules and Registration Act, 1908

232. Stamp duty exemption was given to documents executed by KIADB and referred under section 45-A of the Karnataka Stamp Act, 1957. It is proposed to extend the concession to registration fee also for such cases.

233. Government of India has passed an amendment to the Registration Act, 1908, providing for compulsory registration of deeds of contracts to transfer for consideration and compulsory affixing of photographs to the documents for registration by "The Registration and Other Related Laws (Amendment) Act, 2001", (Act No. 48 of 2001). It is proposed to adopt these amendments to Section 17 and Section 32A in Karnataka State by a Notification.

234. The Stamp duty leviable under Karnataka Stamp Act, 1957, has been reduced for gift, settlement and release deeds executed within the family. It is proposed to reduce the registration fee also as detailed in Annexure IX.

235. The changes made in the year 2000-01 to the Karnataka Societies Registration Act, 1960, for levy of fee for filing of accounts and fine for delay in submission is causing difficulty. Hence it is proposed to amend the existing provisions in the act and the rules as detailed in the Annexure X.

236. The stamp duty on Joint Development Agreement of immovable property between the owner and the developer or promoter, coupled with authority, is proposed to be reduced to 2% from the present 5%, as detailed in Annexure XI. Article 5(f) of the schedule to Karnataka Stamp Act, 1957 will be amended.

237. The Karnataka Societies Registration Act, 1960 is inadequate to handle the various problems of the Societies and Associations. Hence it is proposed to amend the Act comprehensively to keep pace with the changing times.

238. The Karnataka Tax Reforms Commission, in its final report has recommended for improvement of physical infrastructure in the Sub-registry offices. Hence it is proposed to strengthen this revenue-earning department by improving infrastructure, manpower, buildings, enforcement wing, audit wings and all that is necessary for the modernization of the department.

MOTOR VEHICLE TAX

239. Tax Reforms Commission in its final report has suggested rationalisation of taxes. Hence, I propose to effect changes in the tax structure as given in the annexure, including notifications related to the vehicles kept under non-use.

240. It is proposed to enhance the present rate of tax in respect of maxi cabs, stage carriages, all-India tourist buses, campers van, omni-buses, private service vehicles, articulated, multi-axled goods vehicles and life time tax on autorickhsaws and goods carrier upto Gross Vehicle Weight of 1500 Kgs.

241. In order to encourage Tourism, it is proposed to enter into reciprocal agreement with neighbouring states for grant of exemption from payment of tax in respect of vehicles covered by special permit.

242. As a measure to contain air pollution, I propose to levy "Green Tax" on old vehicles at the rate of Rs. 250/- for two wheelers and Rs. 500/- for other Non-transport vehicles which have completed fifteen years at the time of renewal of Certificate of Registration. Rupees 200/- per annum will be collected in respect of transport vehicles which have completed seven years. Necessary amendments will be effected in the Karnataka Motor Vehicles Taxation Act, 1957. The amount will be earmarked for implementation of various pollution control measures.

243. The Changes proposed are detailed at Annexure XII. These measures will yield an additional revenue of Rs. 40.00 crores approximately.

ANNUAL PLAN 2002-03

244. I have enhanced the Annual Plan outlay from Rs.7904 crore in 2001-02 (Revised Estimates) to Rs.8611 crore in 2002-03. After considering the transfer of recurrent expenditure of Rs.509 crore from plan to non-plan, which was done for the next year, as a part of the Xth plan exercise, the increase in plan for the next year works out to 16%. The major sectoral allocations are given in Annexure-I .

REVISED ESTIMATES 2001-2002

245. The Revised Estimates of total receipts are Rs.21812.04 crore as compared to budget estimates of Rs.23232.81 crore for 2001-2002. The total exepnditure is expected to be Rs.21879.30 crore according to the revised estimates as against the budget estimates of Rs. 23276.55 crore for 2001-2002. After taking into consideration the surplus in the Public Account, the closing deficit for the year is likely to be Rs.(-) 98.02 crore as against the expected deficit of Rs.(-) 286.05 crore at the time of presentation of the 2001-2002 budget.

BUDGET ESTIMATES 2002-2003

246. The total receipts are expected to be Rs.25542.05 crore comprising revenue receipts of Rs.18798.45 crore and capital receipts of Rs.6743.60 crore. The total expenditure is estimated

to be Rs.25597.31 crore, out of which the revenue expenditure will be Rs. 21403.64 crore and capital expenditure will be Rs. 4193.67 crore.

247. Apart from the major tax revenues which have been already covered in my speech, the Government expects to raise Rs. 1890 crore from Small Savings, Rs. 948.48 crore from market borrowings (net), Rs.500 crore from negotiated loans and Rs.2417.75 crore as total loans from the Central Government.

248. The revenue deficit works out to Rs.2605.19 crore and the fiscal deficit comes to Rs.5839.07 crore.

249. With these estimates, an overall deficit of Rs.(-)55.26 crore is expected for the year. Taking into account the opening balance of Rs. (-)98.02 crore the closing balance is estimated to be Rs.(-)153.28 crore. I hope to cover this deficit through expenditure control and buoyancy of taxes during the year.

250. I now commend the Budget Estimates 2002-2003 for the consideration and approval of the House. The entire budget will be discussed on the floor of the house. The government will then seek approval of the full budget. I now seek a Vote on Account for a period of four months ending July 31, 2002.

Jai Hind – Jai Karnataka

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