

*Honourable Speaker,*

1. I rise to present the Budget for the year 2003-04.
2. The vision spelt out in the first budget of my Government was translated into various initiatives and it has been my endeavour to bring all of them to fruition.
3. This budget reflects my continuing commitment to the programmes initiated in earlier budgets and at the same time, spells out a number of major initiatives to respond to the needs of our people.
4. I take pride in the fact that my Government has shown strong resilience in dealing with the many challenges and constraints in the last three years.
5. The State and its people have been through a difficult year. Karnataka suffered a second consecutive drought. 157 talukas in 24 districts were affected.
6. To mitigate the grave situation, my Government spent over Rs.50 Crores, for drought relief operations in addition to releases made under the Calamity Relief Fund and the National Calamity Contingency Fund.
7. I wish to thank all the Honourable Members for donating one fourth of their Area Development Grants, totaling Rs.29.10 Crores for this massive relief effort. I know I can count on all of you to supplement the Government's efforts in times of crisis.
8. As a part of the relief measures, my Government is committed to waive the interest on short term co-operative credit for Kharif 2002. The Government of India has agreed to bear only 20% of this burden. I propose to bear the rest with contributions from the Legislators Area Development Fund and the National Calamity Contingency Fund.
9. Even before the State and its people could recover from the impact of the drought, we were faced with a crisis of severe water shortage in the Cauvery basin.
10. This caused considerable distress to the farmers dependent on Cauvery water. I empathize with all the farmers and their families who faced this hardship compounded, as it

was, by the unresolved and continuing dispute on sharing of Cauvery water.

11. This was a testing time when emotions ran high. I salute the people of Karnataka for coping with the crisis in a peaceful manner.

12. I am an eternal optimist. I am sure the year to come will augur well for the State as well as the country.

13. My effort in this year's budget is to achieve three objectives:

14. First, to try and provide a citizen friendly tax regime and some relief in the burden of taxes to the common man;

15. Second, effectively reduce unproductive revenue expenditure to release resources for development;

16. Third, to prioritize development expenditure and enhance allocations to Agriculture, Rural Development, Education and for Empowerment of women and the under-privileged.

17. This then is the leitmotif of this year's budget.

#### **ECONOMIC SITUATION:**

18. Advance estimates of Karnataka's Gross Domestic Product (GSDP) indicate a growth rate of 8.3% at current prices. While Industry and Services are estimated to have grown at the rates of 8.9% and 13.7% respectively, the Agriculture sector recorded a negative growth rate of 3.6%. This was largely due to the severe drought that I have already referred to.

19. The inflationary pressures have eased to an extent due to the low growth in the economy. The wholesale price index for all commodities is estimated to have increased at the rate of 3.46% from March to October 2002, marginally higher than for the same period in 2001. The Consumer Price Indices of Karnataka when compared with the All-India average indicate that the cost of living has largely been kept under check.

20. The economic outlook for 2003-04 is however positive. Following two consecutive droughts it would be reasonable to anticipate a good monsoon in the ensuing year. Though the MTFP projects a real growth of close to 8%, in GSDP, it would be realistic to target a growth rate of about 6%. I have made an effort, despite resource constraints, to fix the Plan size and

provide enhanced allocations to key sectors such as Agriculture, Horticulture, Animal Husbandry, Rural Development and the Social sector to achieve the targeted GSDP growth.

#### **AGRICULTURE AND ALLIED ACTIVITIES:**

21. Agriculture remains at the heart of the economy of the State. It also has a considerable weight in the composition of the State's GSDP. It would be axiomatic therefore that rapid economic growth for Karnataka would be substantially predicated upon agriculture and allied activities.

22. Over 70% of the cultivable area in Karnataka is based on rain-fed farming. The key challenge therefore is to move towards integrated farm level drought proofing, promote improved cultivation practices and significantly improve crop productivity.

23. To promote efficient micro water management, a scheme for extensive use of drip irrigation is necessary. To enable farmers to rapidly adopt drip irrigation as the dominant mode of water management in the State, my Government will provide a capital subsidy of 50% to all farmers and 100% subsidy to all SC/ST beneficiaries under the Ganga Kalyana Scheme on purchase of drip irrigation and sprinkler irrigation equipment and on water guns used in agriculture.

24. Recognising the importance of farm mechanization, I propose to increase the subsidy from 25% to 50% for purchase of farm machinery including tractor mounted plant protection equipment, power tillers and solar water pumps. This will help timely completion of agricultural operations, overcoming labour shortage during times of peak seasonal operations and help reduce the cost of inputs.

25. Members are aware that Bijapur District is known for its potential for horticulture development. We have not been able to tap its full potential. In order to give impetus to development of horticulture in this area, I propose to increase the subsidy for drip and sprinkler irrigation equipment to 100% for horticultural crops in this district.

26. Through the market intervention scheme, the state has been able to prevent distress sale by farmers. The revolving fund for market support operations is at present Rs.100 Crores

and the turnover has been approximately Rs.200 Crores. I propose to earmark an additional Rs.100 Crores during the fiscal year 2003-04.

27. Part of this will come as contribution from the Agricultural Produce Market Committees. In order to mobilize resources for the revolving fund, the market cess will be increased from 1% to 1.5%. With this the corpus of the revolving fund will reach Rs.200 Crores. That should enable us to handle market support operations up to a turnover of Rs.500 Crores.

28. I would at this juncture, appeal once again, to the Government of India for support with a matching contribution to enable us to cover a wider variety of agricultural produce.

29. In order to ensure that farmers throughout the state are freed from the clutches of middle men, I propose to establish "*Raithara Santhe*" in all the taluka headquarters. The funds required for this purpose will be drawn from the revolving fund.

30. Promoting organic farming is a major priority of my Government. To encourage farmers to adopt organic farming on a large scale, I propose to increase subsidy in organic manures like compost, vermicompost and bio-fertilizers from 25% to 50%. I am allocating Rs.2 Crores for this purpose.

31. Government has examined the Veeresh Committee Report on the issue of suicides by farmers. In the unfortunate event of suicide by a farmer due to the burden of borrowing, in order to mitigate the distress caused to the farmer's family, I propose to provide relief of Rs. One lakh to the family.

32. A committee chaired by the Sub-Divisional Magistrate will certify the institutional borrowing burden as the proximate cause for the suicide by a farmer. Such applications when received will be disposed of within three months.

33. The Government has been extending waiver of sales tax on diesel supplied to mechanized fishing boats limited to 50,000 KL per year. This exemption is in the nature of a subsidy of Rs.16 Crores per annum. Though such tax exemptions are not compatible with the tax reforms being implemented, keeping the difficulties that the fishermen community faces, I propose to continue this scheme during the year 2003-04.

**34. Government had examined a proposal to establish a University of Veterinary Sciences in Karnataka. My Government is committed to promote higher education in veterinary sciences. With the objective of building a vast pool of qualified veterinary doctors in the State, I am happy to announce the establishment of a University of Veterinary Sciences in Bidar. This will also give impetus to the development of the northern Karnataka region. I am setting apart Rs.5 Crores for this purpose.**

**35. Sheep breeding has been a traditional occupation in Karnataka. We must now move towards scientific market development for sheep and sheep products. To this end, I propose to provide a one time grant of Rs.1 Crore to the Sheep Development Board.**

**36. To promote sheep breeding on a state wide scale, I propose to introduce a margin money scheme covering one lakh families to begin with, to enable them to acquire and breed sheep on an economic scale. The selection of beneficiaries will be done through Gram Panchayats. The funding will be in the form of loans from the Karnataka State Co-operative Agricultural Rural Development Bank as well as the DCC Banks. Government will extend margin money support required for acquisition of one economic unit of sheep by each family. I propose to set apart Rs.3 Crores for this purpose. And if need be provide more.**

**37. The Yeshasvini co-operative medical insurance scheme covers all surgical operations of a serious nature. These operations will be done free of cost at some of the best medical institutions in the State. The farmer co-operator of Karnataka can look forward to securing the best medical attention and treatment for Rs.5 per month. I am happy to inform the Honourable Members that 10 Lakh farmers have already been enrolled into this unique scheme.**

**38. During 2003-04, I propose to extend the coverage of this scheme for the benefit of the family members of the farmers who have already enrolled. Government will bear one third of the contribution made by each beneficiary. I am setting apart Rs.6 Crores for this purpose.**

39. The Kissan Credit Card has been a great success in the District of Bijapur. The main advantage is that the farmer instead of drawing all the credit at one time, now has the flexibility to draw the amount as and when required. An added benefit as a result is that the beneficiary is able to access credit at an effective rate of 9%.

40. In order to extend the benefits of this scheme to all farmers in the State, the coverage of the scheme will be extended to the whole State during 2003-04. This programme will be linked to 'Bhoomi' and the Raita Samparka Kendras.

#### **RURAL DEVELOPMENT & PANCHAYAT RAJ**

41. The Gram Panchayats have been given adequate financial resources. Each Gram Panchayat gets Rs.3.50 lakhs. In order to further strengthen the Panchayat Raj Institutions, I propose to enhance the grant to Rs.5 lakhs per Gram Panchayat. The Honourable members may note that the grants were Rs. 1 lakh in 1999-2000 and have now been raised to Rs. 5 lakhs.

42. It shall be mandatory for the Gram Panchayats to utilize Rs.1 lakh out of this for asphaltting of village roads and for construction of community toilets for women.

43. For the 5,659 Gram Panchayats in the state, I am thus allocating Rs. 283 Crores, a 43% increase to give a genuine fillip to local self government. In addition, for those Gram Panchayats which show 100% recovery of panchayat taxes and other dues including electricity and water charges, I propose to provide an incentive amount of Rs.50,000.

44. Under the Swacha Grama programme, about 1,300 villages have already been covered till date at a cost of Rs.130 Crores. I propose to cover an additional 1,000 Gram Panchayats under this programme during 2003-04. For this purpose, I am making a provision of Rs.100 Crores at the rate of Rs. 10 lakhs per Gram Panchayat.

45. To make Gram Panchayat management more responsive and encourage it to play a greater role in the development process, I propose to increase the sitting fees for panchayat members from Rs.15 to Rs.100. Similarly, I propose to increase the salary of the Presidents and Vice Presidents of the Gram

Panchayat from Rs.300 to Rs.500 and Rs.150 to Rs.300 respectively.

## **PRIMARY AND SECONDARY EDUCATION**

46. My Government is committed to improve literacy levels. A key initiative that I would like to announce is to introduce the "*Aksharadasoha*" scheme for all Government primary school children up to class 5 all over the state from the next academic year. Under this programme hot mid day meals will be provided to school going children in all Government schools all over the state. I am dedicating Rs.200 Crores for this scheme.

47. The mid day meal scheme will be implemented through a public private partnership. Wherever NGOs and Stree Shakti groups come forward, they will be allowed to operate and manage the scheme.

48. The entire cost of this programme will be met from the proceeds of on-line lottery. I would like to assure the house that all future receipts from lotteries, as in some developed countries, will be dedicated to strengthening Primary Education in the State.

49. As part of my Government's initiative for the development of Northern Karnataka and decentralization, I propose to create a separate Commissioner of Public Instruction for schools in the Bombay Karnataka and Hyderabad Karnataka Region. The Commissionerate will be located in Hubli.

50. To revive adult literacy, I propose to re-establish and strengthen the Adult Education Council. In every Gram Panchayat a "*Vayaskara Shikshana Pade*" will be established. I propose to set apart Rs.1 Crore for promoting adult literacy under this programme.

## **HEALTH**

51. Providing advanced health care to our rural people afflicted with diabetes, hypertension, asthma and heart disease is one of the challenges faced by us. Keeping this in view and by using advanced technology in the areas of space, information and communication, I propose to promote a Tele-medicine Project which will link 25 district hospitals.

52. AIDS continues to be a cause of concern for us. We have launched new programmes like Voluntary Counseling and

**Testing Centres and Prevention of Mother to Child Transmission in almost all the districts. We will upscale the services this year and take them to the Taluka level.**

**53. I propose to set up four cardiology referral centers of Jayadeva Institute of Cardiology in Hubli-Dharwad, Shimoga, Mercara and Bijapur. These centers will be able to cater to about 40 lakh patients for preliminary and advanced diagnostic procedures. I am allocating Rs.3 Crores for this purpose.**

**54. I propose to allocate Rs.1 Crore to the Institute of Nephro-urology in Bangalore.**

**55. To meet the health care needs of tribal families, particularly those living in remote semi forest areas, I propose to establish hospitals through a public-private partnership.**

#### **SOCIAL WELFARE, BACKWARD CLASS AND MINORITY DEVELOPMENT**

**56. My Government's efforts to launch a frontal attack on poverty and improve the economic conditions of Scheduled Castes, Scheduled Tribes, Backward Class Communities and Minorities would be intensified in the ensuing year. It is proposed to start a new programme called "KAUSHALYA" to train 5,000 Scheduled Caste, Scheduled Tribe and 5,000 Backward Class unemployed women in different trades. An amount of Rs.5 Crores each will be set apart for this purpose.**

**57. It is proposed to build 15,000 Ambedkar houses at a cost of Rs.30 Crores and 60,000 Ashraya houses at a cost of Rs.60 Crores in rural areas. It is proposed to construct 15,000 houses for houseless Scheduled Tribe families.**

**58. I propose to provide funding to construct two Ambedkar Bhavans in each constituency in the State providing Rs.5 Lakhs for each Bhavan. I am setting apart Rs.10 Crores for this purpose. These Ambedkar Bhavans will be specially designed and completed during the ensuing year.**

**59. Considering the growth of population and backwardness of the Northern Karnataka, 7 backward districts viz. Bijapur, Bagalkot, Bidar, Raichur, Gulbarga, Koppal and Bellary, I propose to start 75 new hostels for the benefit of Scheduled Castes, Scheduled Tribes and Backward Class students, in these**

**districts. I propose to reserve 30% of these institutions for girl students.**

**60. Under the Ganga Kalyana scheme an additional 5,000 SC/ST beneficiaries will be covered during the year 2003-04.**

**61. In memory of late Sri Devaraj Urs I propose to earmark Rs.2 Crores for the purpose of construction of a "*Devaraj Urs Bhawan*" in each district headquarter at a cost of Rs.10 lakhs each.**

**62. To encourage the youth among the minority communities to undertake income generating activities, I propose to introduce a scheme of interest subsidy for their self employment.**

**63. Unemployed youth of the minority communities will be assisted through loans from KSFC to start profitable ventures such as, automobile garages, work shops and small business shops. I propose to give an interest subsidy of 3% for loans up to Rs.3 lakhs extended to members of the minority community.**

**64. I propose to establish a "*Chief Minister's Fund for repair of old temples, mosques, churches, gurudwaras and basadis in rural areas*". The initial corpus will be Rs.1 Crore. Assistance from this fund will be limited to Rs. 10,000 per institution as a one time grant. This fund will be further strengthened through public contribution. The existing "*Aradhana*" scheme will continue.**

**65. I am also allocating Rs. 5 Crores to enable construction of one Shaadi Mahal in each taluka by providing a grant of Rs.5 lakhs each.**

**66. To encourage research scholars to pursue intensive studies on various aspects of development of backward classes and their assimilation into the mainstream I propose to institute a "Devaraj Urs Research Fellowship" in six Universities of Karnataka. A grant of Rs.15 Lakhs each is proposed.**

**67. In memory of the great patriot Tipu Sultan a museum and research centre will be set up at Srirangapatna at a cost of Rs.3.5 Crores. I propose to grant Rs.2 Crores to this project.**

**68. I propose to construct 1,000 additional class rooms in 400 Urdu schools. I am allocating Rs. 2 Crores for this programme.**

Fifty percent of the contribution will come from local school managements.

## **WOMEN AND CHILD DEVELOPMENT**

69. Promoting higher education among women is perhaps the principal catalyst for women's empowerment and their economic independence. As part of my commitment to this cause and to encourage higher education of women in Northern Karnataka, my Government will establish a women's university at Bijapur during 2003-04. I have allocated Rs. Five Crore for this purpose.

70. Under Stree Shakti, 74,320 self help groups have been formed so far benefiting about 11 lakh women. This movement needs a boost. I propose to increase the number of self help groups to 1 Lakh in 2003-04 by increasing the state's contribution to the revolving fund from Rs. 12 Crores to Rs. 50 Crores, a growth of 300%. This is expected to benefit at least 15 Lakh women.

71. In addition, to encourage Stree Shakti groups which have shown exceptional performance, I propose to give an additional incentive. Such of those groups which mobilize more than Rs.75,000 will be given Rs.15,000 and those who mobilize more than Rs.1 lakh will be given Rs.20,000 as additional incentive.

72. Hence forth, fair price shops under the public distribution system will be given only to Stree Shakti groups in the State.

73. The anganawadi workers have played an important role in successfully implementing the Stree Shakti programme. As a mark of Government's recognition and appreciation I propose to increase the honorarium of Anganawadi workers by Rs.200 per month and of the Anganwadi helpers by Rs.100 per month. I am providing Rs.14 crores for this purpose.

74. As a mark of my Government's commitment to the welfare of the physically challenged 5% of all Ashraya houses will be reserved for them from the year 2003-04.

## **YOUTH SERVICES AND SPORTS**

75. In the light of the phenomenal success of the Stree Shakti programme my Government will now move towards mobilizing the youth in the State. Harnessing the creative energies of the youth of the State is critical to building a strong future.

**Towards this end I propose to introduce a new programme "*Rajiv Yuva Shakti*".**

**76. Under this programme a youth association will be formed in all the 5659 Gram Panchayats in the State. These associations will be supported with a corpus of Rs.10,000 each to undertake sports, cultural and community building activities. I am setting apart Rs.6 Crores for this purpose.**

**77. The Government Flying Training School at Jakkur is a prestigious institution which has provided initial flying training to several young people who have gone on to become successful pilots. Modernising the Government Flying Training School will be an important initiative that will be taken in the ensuing year. I am setting apart Rs.1 Crore for this purpose.**

#### **HOUSING**

**78. My Government reiterates its commitment to provide 11 Lakh houses for the houseless poor in the state. We will complete 6 Lakh houses by the end of March 2003. In the next two years, the target will be increased from 2 Lakh to 2.5 Lakh houses per year for economically weaker sections, thereby 5 Lakh houses will be constructed in the next 2 years. Half of the houses constructed under various programmes would be for Scheduled Caste and Scheduled Tribe beneficiaries. I hope to wipe out the housing deficit for the weaker sections of the society by 2004-05.**

#### **FOOD AND CIVIL SUPPLIES**

**79. The Government will bring into operation the scheme of yellow ration cards with effect from May 1<sup>st</sup>, 2003 in all the 27 districts of the State. The information about the families identified for yellow cards will be computerized and will be given wide publicity to ensure transparency. I am providing Rs.5 Crores for this purpose.**

#### **IRRIGATION AND WATER RESOURCES**

**80. My Government is committed to the full utilization of the irrigation potential of the Krishna and Cauvery basins. In the last 3 years, my Government has spent about Rs. 6,600 crores on the Krishna basin irrigation project.**

**81. Now, to ensure repair, renovation and refurbishment of the irrigation assets in the Cauvery basin area, I propose to incorporate a new special purpose vehicle – the "*Cauvery Neeravari Nigama*". This SPV will undertake these works by raising resources from the market.**

**82. We will ensure that the SPV undertakes modernization and refurbishment within the frame work of the interim award of the Cauvery Tribunal and not exceeding 11.20 lakh acres.**

**83. The objective will be to raise Rs. 1,000 Crores over the next three years for better management of canals and optimal utilization of water in the Cauvery basin. Such off budget borrowing will be within the Medium Term Fiscal Frame work and the borrowing limits prescribed therein.**

**84. During 2003-04 the Government will undertake the construction of barrages across seasonal rivers in the dry and semi-arid districts of the State with a view of store water during the dry months and to recharge ground water. I am allocating an additional Rs. 3 Crores for this purpose.**

**85. The long term viability of Irrigation projects will depend on effective participation of the water users in the management and maintenance of irrigation assets. Critical to this process will be payment of user charge by water users.**

**86. Necessary legislation to transfer water management to farmers for effective & efficient utilization of water has been enacted. I am incentivising the maintenance expenditure on Irrigation projects linked to effective recovery of water charge through the water user associations.**

**87. The "Raitha Kayaka Kere" programme has proved very useful for small and marginal farmers. I am extending this programme to cover two tanks in every hobli in the state during 2003-04. I am enhancing the allocation by Rs. 5 crores for this purpose.**

**88. Canal modernization under the Thunga Dam and Bhadra Dam will be taken up at a cost of Rs. 50 Crores. These works will be executed through the KNNL.**

**89. Similarly, Mullamari and Bennithora projects will be transferred to KNNL and completed during 2003-04.**

90. I propose to allocate Rs. 5 Crores to the Ugrani lift irrigation project in Davanagere district.

## **ROADS**

91. Over the last three years substantial public investment has been made on developing and improving the road network in Karnataka. Apart from the budgetary support provided to this sector, the State has been able access substantial funding under the RIDF programme.

92. We must now focus on proper up keep and maintenance of these assets. I therefore propose to establish a dedicated Road Maintenance Fund to be called "*Mukhya Mantri Grameena Raste Abhivrudhi Nidhi*" with a corpus of Rs. 100 Crores. This will require additional resource mobilization through a cess on fuel and motor vehicles. The modalities of this initiative are being put in place.

93. The Public Works Department along with the Irrigation Department will implement a comprehensive computerization project, which will link the progress of works on the ground with billing, fund release through Letters of Credit and budgeting.

94. The RIDF programme has been implemented successfully for developing rural infrastructure in Karnataka. In particular, there has been visible progress in development and upgradation of the rural road network. Therefore, I propose to enhance the allocation for the RIDF programme from Rs.280 Crores in the current year to Rs.325 Crores during 2003-04.

95. It is proposed to commence 4 laning of the Bangalore-Mysore State Highway initially from Bangalore to Maddur through the Karnataka Road Development Corporation.

96. In a manner similar to State highway maintenance already undertaken, it is proposed to privatize maintenance of 28,247 km of Major District Roads.

97. It is proposed to upgrade some important Major District Roads as State highway and to upgrade about 10000 km. of Village roads to Major District Roads.

## **ENERGY**

**98. Power Sector reform and achieving efficiencies in the sector will doubtless, be the single most important factor that will help achieve or impede fiscal sustainability of state finances. The success of the state's Medium Term Fiscal Framework will depend substantially, perhaps almost entirely on a visible improvement in the power sector's performance.**

**99. Despite the fact that the Government supports the power sector with a subsidy of Rs.2,340 Crores, there is still considerably dissatisfaction amongst consumers with regard to the reliability and quality of power.**

**100. The power sector deficit now nearly equals the entire revenue deficit of the state. In other words, unless fiscal discipline is enforced in the power sector, there is little hope of medium term fiscal stabilisation.**

**101. I seek the support of the house and all stake holders in implementing strong measures to infuse efficiency in the power sector. These will include:**

- ❖ Enforcing measures to step up revenue collection efficiency. This will entail all users paying tariffs as determined by KERC and accepted by Government.**
- ❖ Budgetary support to the power sector will henceforth be linked to actual outcomes in the sector. This will mean measurable reduction in technical and commercial losses from the current level of 32% to 30% in the next fiscal year.**
- ❖ All consumption should be metered. The Electricity Supply Companies will have to ensure that the targeted metering programme is fully achieved during the year.**
- ❖ Supply of subsidized power will have to be determined and regulated based on affordability and within the frame work of the revised financial restructuring plan of the power sector. This would include adherence to levels of daily supply in million units, prescribed from time to time.**

**102. From the next fiscal year the Government will adopt the "Purchaser-provider" model for budgeted subsidy support to the power sector. Under this model the Government will**

determine the quantum of power that it proposes to supply to agriculture during the year and meet the gap in revenue after cross subsidies and agricultural tariffs levied are accounted for. The effort will be to put in place an alternate mechanism for delivery of subsidy to the farmer for actual power used for agriculture.

**103.** My Government is committed to privatization of electricity distribution. During 2003-04, we will move decisively on this front.

**104.** Rural Electrification constitutes an important dimension of the development process. It is my Government's resolve to extend electricity to the economically weaker sections. In the ensuing year 4 lakh house holds covered under the Ashraya and the State funded economically weaker section housing programme will be provided electricity connections under the Bhagya Jyothi and Kutira Jyothi Schemes.

**105.** Though electricity is supplied to the agriculture sector at a subsidized rate, the recovery of agricultural tariff has been far short of expectations. In fact, recoveries average just about 10% of the total demand raised. To encourage the farmers to pay the electricity dues and provide relief to them, in the light of the recent drought, the Government will introduce an interest waiver scheme.

**106.** All farmers who pay the principal electricity dues in full will be given full interest waiver. This scheme will be operated for a three month period from April 1<sup>st</sup>, 2003 to June 30<sup>th</sup>, 2003. This will provide interest waiver relief of Rs.285 Crores to the farming community. I hope all farmers will make full use of this scheme.

**107.** Karnataka Power Corporation Limited contributes more than 75% of the electricity requirements of the State. KPCL's power generation is likely to be 19,300 MU for the year 2002-2003 despite the poor monsoon. The RTPS 7<sup>th</sup> unit has been completed by KPTCL well in advance with a national record.

**108.** KPCL has taken up the 290 MW Alamatti dam power house and efforts are being made to commission the first unit by December 2003. The 500 MW Bellary Thermal Power Plant, the 700 MW Bidadi Combined Cycle Plant and the 210 MW, RTPS,

**8<sup>th</sup> unit, have also been taken up. All these plants are expected to significantly enhance the State's Generating Capacity in the near future.**

## **URBAN DEVELOPMENT**

**109. A programme for the integrated development of 20 major towns and cities in northern Karnataka will be undertaken through external aid. A project proposal for funding this programme will be posed to the Asian Development Bank.**

**110. To give impetus to development of northern Karnataka, I propose to establish a separate North Karnataka Water Supply Board to deal with urban cum rural water supply projects in the Hyderabad-Karnataka Area and the Bombay-Karnataka area. This will be located in Hubli.**

**111. The performance of the BDA has been commendable. It is today contributing Rs. 300 Crores towards Bangalore City from its own resources without any burden either on the citizen or the Government.**

**112. A prestigious project for the city of Bangalore will be Bangalore Metro. The Delhi Metro Rail Corporation is expected to deliver the detailed project report to us shortly. Thereafter, we should be able to commence work on this project. I am making a provision of Rs.74 Crores for this project in the current year.**

## **INDUSTRIES & COMMERCE**

**113. Recognising the importance of exports in the emerging world economic context, we have recently brought out an Export Promotion Policy for the period 2002-07. The Policy has the main objective of increasing the State's share of exports from the present level of 7% to 15% by 2007. This will be achieved by providing an effective, proactive and supportive institutional mechanism for the rapid growth of exports, operationalising sustainable medium term export promotion sectoral strategies and by building effective and competitive export infrastructure.**

**114. The scheme of capital subsidy of Rs.25 Lakhs per MW of power generated by sugar factories will be continued for the year 2003-04 also.**

**115. For handloom weavers, 2,000 living cum work sheds will be constructed. 25% of the unit cost of these living cum work sheds will be subsidized by the Government. I propose to set apart Rs.2 Crores for this purpose.**

#### **AGRO-FOOD PROCESSING**

**116. Agro-food processing is today a huge global industry. Karnataka has competitive advantages to build a strong agro-food industry. To give impetus to this sector, my Government will promote "*Food Karnataka Limited*", a special purpose vehicle that will build partnerships between farmers and private sector food majors. Contract farming will then become a gainful business opportunity for farmers.**

#### **FOREST, ECOLOGY AND ENVIRONMENT**

**117. On the occasion of the centenary celebration of Kuvempu and to make his dream a reality, Government will take action to declare an additional 9,160 acres of forest in Koppa forest division in Chickmagalur district as part of the Kuvempu Memorial Bio Park. In addition, I propose to dedicate Rs.1 Crore for the centenary celebration.**

**118. I propose to institute an award to be called the "*Rajiv Gandhi Parisara Prashasthi*" for signal service done in the preservation of Ecology and Environment. This award of Rs.1 lakh each will be given to 5 awardees – individuals or institutions - every year to be selected from the five regions of the State namely, Malnad, Karavali, Old Mysore (excluding Bangalore), Hyderabad-Karnataka and Bombay-Karnataka regions.**

#### **TOURISM**

**119. Tourism, I believe, will transform the very face of Karnataka as an engine for economic growth and development. Towards this end the Government will focus the efforts of all its energies and endeavours to play a positive and promotional role in tourism.**

**120. There is great opportunity for all sections of society to play a gainful part in tourism. With the right education and training a large number of people can engage themselves gainfully in the Tourism and Hospitality Industry. The effort will be to forge a public-private partnership for tourism development.**

**121. A key effort will be to develop the "last mile" connectivity to the tourist worthy locations in Karnataka which today are not accessible to the average tourists. This gap needs to be bridged without further loss of time.**

**122. Our hills and forests are gifts of nature and hold enormous potential for "Eco-tourism". This will be the focus of our effort. Our cities and towns are where the visitors first arrive and first impressions go a long way to make a memorable experience. Special care will be taken to provide that essential face-lift to the towns and at the very least to make the towns and cities clean and comfortable for our visitors.**

### **KANNADA AND CULTURE**

**123. In my Budget Speech of the previous year, I had proposed to celebrate the Suvarna Jayanti of the 'Unification of Karnataka' on the occasion of completion of 50 years of unification in the year 2006. Accordingly a High Level Committee has been constituted under my Chairmanship to celebrate the Golden Jubilee in a memorable manner.**

**124. Action will be taken during the ensuing year, to construct two 'Suvarna Cultural Complexes' – one at Dharwad and the other at Gulbarga. In these complexes, it is proposed to exhibit various items on Art, Literature, Sculpture, Drama, Folk, Fine Arts, Tourism, Architecture, History, Nature and Humanities of Karnataka, so that the entire development of these aspects would be available for the people at one place.**

**125. Under the Sangeetha Samskruthi Chetana Yojane, a National level Karnataka theatre festival will be organised in memory of the Late B.V. Karanth, who brought international fame to Kannada theatre.**

**126. In honour of Jnanapith Awardee Dr. Shivaram Karanth, a trust has been established to promote literature, yakshagana and the folk arts dear to him. I propose to provide Rs.50 lakhs to this trust.**

**127. Last year, we had taken up publication both in print and multimedia, the entire Dasa Sahitya and putting them on CD as well as hosting them on web. This year, I would like to concentrate on Vachana Sahitya and come out with a programme "Vachana Vahini". The entire Vachana Sahitya**

would be published in multimedia and hosted on the web and released in CD media also for universal accessibility.

128. I have recently constituted a trust for the development of places connected with Saint Poet Kanakadasa. This will initiate measures for the preservation of Kaginele, Bada and other places connected with Kanakadasa and also take up studies on his works and life. I intend to provide Rs.50 lakhs to this trust.

#### **BORDER AREA DEVELOPMENT**

129. I wish to reiterate the Government's commitment to full implementation of the Mahajan Commission Report. My Government will assiduously protect the interests of Karnataka's border areas. For infrastructure development of border area villages, I propose to allocate Rs.2 Crores. This will be released directly to the Gram Panchayats having jurisdiction over the border area villages.

#### **POLICE**

130. To meet the long felt requirement to increase the strength of police women in Police Stations throughout the state, I propose to sanction 1,000 additional posts of constables, ASIs and SIs, to be recruited in a phased manner. I also propose to strengthen the KSRP by adding 200 women police personnel.

131. To meet the felt need of a special forces unit in the state police, I propose to set up a compact Commando unit comprising about 100 police personnel of various ranks. This unit will be deployed for special operations only.

132. Under the group insurance scheme for police constables, the life risk cover will be increased from Rs.1 lakh to Rs.3 lakh.

#### **FISCAL PERFORMANCE**

133. My Government is in the midst of a Medium Term Fiscal Reforms Programme dovetailed into the annual budgetary exercise. This is the third year of fiscal reforms. Due to a bad revenue year and a severe drought in 2001-02, we were unable to adhere fully to the fiscal targets under the Medium Term Fiscal Plan.

134. The power sector has become a major area of fiscal concern for me. It is largely due to the inability of the power sector to deliver on reform parameters that the Government

was unable to draw the third tranche of the Karnataka Economic Restructuring Loan of Rs.1,200 Crores. This loss was compounded by an estimated revenue shortfall of about Rs.1,600 Crores due to short collections in own taxes, non-taxes and short receipts in Central Government devolution.

135. Despite these constraints, the revised estimates of 2002-03 indicate that we have been able to contain deficits within the targeted limits. I must compliment all departments and my colleague ministers for containing expenditure within the revised estimates which were inevitable in the light of the severe resource constraint. As a responsible Government we will have to continue with the regimen of fiscal discipline within the framework of the Fiscal Responsibility Act passed by this august House.

136. The results are there for all to see. Though revenue receipts have fallen from an estimated Rs.18,798 Crores to Rs.17,101 Crores expenditure has been reduced from Rs.24,840 Crores to Rs.23,747 Crores. The fiscal deficit as per revised estimates has been pegged at Rs.5,637 Crores as against a target of Rs.5,839 Crores.

137. The fiscal outlook for 2003-04 is encouraging. In this budget I have tried to realistically assess the state's own resource mobilization. It has also been my effort to prune Non-Plan non-development expenditure. Rightsizing Government expenditure, particularly by reducing expenditure on the non-plan side is the key challenge to achieve fiscal sustainability. I have made some effort in this direction in this year's non-plan budget allocations.

138. This was necessary to release scarce resources from the Non-Plan side to enhance Plan allocations for development expenditure in key sectors such as Agriculture and Horticulture, Rural Development and welfare of the under privileged. I am confident that all departments will operate within their budgeted allocations both on the Plan and Non-Plan side during the ensuing year.

139. My aim will be to restrict the fiscal deficit well within the target of Rs.6,269 Crores set by the MTFP. The success of this budget will depend substantially on adhering to the Fiscal Responsibility Act and this will be our collective responsibility.

## **ANNUAL PLAN 2003-04**

**140. Though the State Government suffered large shortfalls in revenue in 2002-03, we were able to adhere to our Plan targets. I had hoped to achieve a Plan outlay of Rs.8,611 Crores in 2002-03. We have achieved Rs.8,421 Crores as per revised estimates which is about 98%. Given the adverse conditions of drought and overall resource shortfall this is a matter of satisfaction.**

**141. I have enhanced the Annual Plan outlay to Rs.9,780 Crores in 2003-04. This is a growth of about 16% over revised estimates of 2002-03. The major sectoral allocations are given in Annexure-I.**

**142. The growth in outlays for key sectors over 2002-03 has been significant. I may mention Agriculture and allied services (18%), Rural Development (43%), Irrigation (8%), Social Welfare and Women and Child Development (8.5%), Education (22%), Water Supply and Sanitation (33%), Housing and Urban Development (15%).**

**143. These enhanced outlays, coupled with the strong note of fiscal responsibility I have signaled in this budget, indicate the priorities I have set for my Government.**

**144. I now go to the tax proposals.**

### **COMMERCIAL TAXES**

**145. We are on the threshold of a paradigm shift in sales tax reform. With effect from April 2003, Karnataka will introduce Value Added Tax (VAT), an internationally accepted non-cascading, fair, equitable and transparent tax in place of sales tax.**

**146. Sir, the Karnataka VAT Bill is before the legislature. This bill will provide the legislative frame work for VAT.**

**147. From being a mere tax collector, the tax administration will now be transformed into a responsive, service oriented agency. My Government has taken all steps to make this transition from sales tax to VAT, smooth and successful.**

**148. Sir, our likely revenue loss during the first year is expected be about Rs.750 Crores. Government of India has stood by us in tax reform efforts and is expected to fully compensate the**

revenue loss in the first year of introduction of VAT. The revenue loss compensation will be 75% in the second year and 50% in the third year.

149. My Government also hopes that necessary amendments will be made by Government of India to enable States to tax services.

150. Under VAT as specified in the Karnataka VAT Bill, commodities fall under three major categories.

151. Goods of necessity like fresh vegetables, fruits, coarse grains, manual agricultural implements, etc., exempt from tax are listed under first schedule. Petrol, diesel, Aviation Turbine Fuel, sugarcane and lottery tickets which are sought to be continued under the present sales tax system are also in this schedule.

152. Rectified Spirit and liquor including Beer, Fenny, Wine and Liqueurs will continue under the Excise Act.

153. Goods of mass consumption like safety matches, edible oil, bread, mechanical agricultural implements, identifiable raw materials and declared goods will be taxable at 4% and are listed in the third schedule.

154. All the remaining commodities are taxable at a standard rate. As agreed by all the States such standard rate, Sir, would be 12.5%.

155. Certain commodities are exceptions to this tax of 12.5% and are taxable at 1% and 20%. The commodities taxable at 20% are all demerit goods and in line with the national consensus, I propose to deny input tax credit to them.

156. The details of commodities taxable at different rates are furnished in Annexure-II.

157. I propose to levy VAT on textile, sugar, tobacco and tobacco products after the State Government is permitted to do so, at appropriate rates keeping in view the tax rates adopted by other States and also the interests of our trade and industry.

158. Sir, under VAT we have to notify the industrial inputs and packing materials taxable at 4%. Similarly the list of IT Products taxable at 4% VAT also needs to be notified. As per

**the common list agreed to by all the States, I propose to notify such commodities as listed in Annexure-III.**

**159. Sir, I would like to emphasise here that introduction of VAT would not and should not lead to increase in prices of goods. Though a few commodities would bear a higher tax than the present tax, because of lower tax on most of the commodities, the total tax on a basket of goods of a common consumer would be lower than the present tax. This is because the Revenue Neutral Rate under VAT is 15% as against 12.5% that we are proposing to adopt.**

**160. Also under VAT, unlike in the present sales tax system, tax is levied only on the value addition at each stage of production and distribution chain of a commodity. I hope that the trade and industry would pass on the benefit of VAT to the consumers.**

#### **SALES TAX :**

##### **Tax exemption :**

**161. Sir, as mentioned by me earlier, I propose to retain Petrol, diesel, Aviation Turbine Fuel, sugarcane and lottery tickets under the present sales tax system. Petroleum products because, there is no value addition at their subsequent sale points, sugarcane because it is taxable at purchase point and lottery tickets because of the complexity in determining its taxable value. I propose to exempt all other commodities from sales tax.**

##### **Exemption from registration and payment of registration/renewal fee :**

**162. I propose to exempt all dealers required to register under VAT and not dealing in goods liable for sales tax, from getting registered under the Karnataka Sales Tax Act. I also propose to exempt dealers registered under VAT from payment of registration and renewal fee under the Karnataka Sales Tax Act.**

#### **RELIEFS**

**163. I propose to reduce sales tax to 4% on Avgas sold to flying schools to revive and encourage them.**

**164. I also propose to reduce sales tax to 4% on ATF and Avgas used by regional airlines connecting new regional destinations**

to encourage them to expand their operations and provide air connectivity to important tourist and industrial centers in the State. In particular, I would look forward to regional air services commencing operations to destinations such as Mysore, Hubli, Bellary, Hospet, Gulbarga and Belgaum.

### **CENTRAL SALES TAX**

165. The Government of India has announced reduction of CST rate from the current rate of 4% to 2% in the year 2003-04 as part of the CST phase out. The loss of revenue to the State from the proposed reduction of CST would be about Rs.442 Crores. Government of India will compensate the States for the loss of revenue from this reduction after arriving at a consensus with the Empowered Committee of State Finance Ministers.

### **LUXURY TAX**

#### **Additional Resource Mobilization Measures :**

166. I propose to:

- (i) levy luxury tax on telephone charges collected by hotels and lodging houses by withdrawing the present exemption available to such charges collected.
- (ii) levy luxury tax on luxuries provided in clubs as Rs.600 per annum per member.

#### **Reliefs :**

167. I propose to reduce luxury tax rates on hotels and lodging houses as in Annexure-IV to encourage tourism industry.

168. I propose to increase the exemption limit in respect of Kalyana Mantapas from the present Rs.2000 to Rs.5000 per day as a measure of relief to the poorer sections of the society.

#### **Profession Tax :**

#### **Rationalisation Measure :**

169. Harmonisation of rates : As recommended by the Tax Reform Commission, I propose to harmonise the number of rate slabs in general and exemption periods in the case of self-employed persons to make the tax more simple and equitable, as in Annexure-V.

#### **Additional Resource Mobilization Measures :**

**170. I propose to:**

- (i) levy tax on new professions as in Annexure-VI.**
- (ii) levy tax on every branch of self-employed persons.**

**Entry tax :**

**Rationalisation measures :**

**171. In line with similar provisions under the Karnataka Sales Tax Act, I propose to,**

- (i) to fix a time limit of 90 days to the first appellate authorities for disposal of appeals covered by stay orders.**
- (ii) restore the stay powers to 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.**

**172. I propose to permit dealers to issue self-printed declarations towards payment of entry tax paid by on goods sold, instead of the present Form-40 declarations to be obtained from the Department.**

**173. I propose to empower the Committee of Additional Commissioners set up to issue statutory clarifications on classification of commodities, tax rates and eligibility of transactions to tax under the Karnataka Sales Tax Act to issue similar clarifications under the Entry Tax Act.**

**Entertainment Tax :**

**Reliefs :**

**174. I propose to exempt tax on sponsors of sports events.**

**Rationalisation Measures :**

**175. I propose to levy an additional tax of Rs.1 and Rs.0.50 per admission on AC and Non-AC theatres respectively.**

**176. I propose to revise the rates of composition of tax in respect of cable and satellite TV operators as in Annexure-VII, as the current rates are low when compared to tax on cinema.**

**Betting Tax :**

**177. I propose to revise the composition amounts payable in respect of horse racing as in Annexure-VIII.**

**178. As the present sales tax on lottery tickets is not generating revenue at the desired levels, I propose to levy a more efficient betting tax on lotteries by bringing a new enactment.**

#### **Agricultural Income Tax :**

##### **Relief**

**179. I propose to continue the concessions on Agricultural Income Tax that I had announced for the year 2002-2003 during the year 2003-04 also in view of the drought.**

**180. Consequential Amendments : The relevant tax laws need amendments to implement the above proposed measures. These amendments together with other amendments for rationalization will be moved.**

#### **EXCISE**

**181. I propose to levy excise duty on liquor supplied to Canteen Stores Department at the rate of Rs.40 per bulk litre, instead of Rs.20 per Bulk litre levied at present.**

**182. I also propose to levy litre fee at the rate of Rs.15 per Bulk Litre on liquor costing a basic price of Rs.351 and above per case on liquor supplied to Canteen Stores Department.**

**183. I propose to increase the minimum basic price of liquor excluding Fenny, Beer and Wine to Rs.350 per case for the purpose of levying Additional Excise Duty and consequently I propose to levy a minimum Additional Excise Duty at Rs.130 per Bulk litre.**

**184. In order to rationalise the fee on export of liquor, I propose to increase export duty on Indian Made Liquor from Rs.2.50 per Bulk litre to Rs.3.50 per Bulk litre and on Beer from 50 Paise to Rs.1 per Bulk litre.**

**185. I propose to levy a fee of Rs.2 per bulk litre on denatured anhydrous alcohol supplied to oil companies for the purpose of mixing with petrol.**

**186. The above provisions will come into force with effect from 1<sup>st</sup> April 2003.**

**187. On sub-leasing of Distilleries/Breweries/ Wineries by the licensees to third parties, I propose to levy a fee equivalent to ten percent of the licence fee on Distilleries/Breweries/ Wineries at the time of granting permission for sub-leasing and thereafter at the time of renewal of such licences every year.**

**188. I propose to create a special category of retail licence for Government owned companies, with a condition that, such shops shall be exclusively maintained by them and shall not be transferred or sub-leased to others. Consumption of liquor within the licensed premises will not be allowed under this category of licences. The licence fee for such shops shall be Rs. One lakh per year.**

**189. I propose to levy a special fee of Rs. One lakh for granting special permission to bottle liquor in less than 180 ml capacity.**

**190. I propose to reduce the fee levied on wholesale licences issued for shops located in city municipal corporation limits with a population of above 20 lakhs from Rs. 8.25 Lakhs to Rs. 7.25 Lakhs and in case of wholesale licences issued for shops located in other areas from Rs.6.75 Lakhs to Rs. 5.75 Lakhs per annum.**

**191. I also propose to reduce licence fee in respect of clubs(CI-4) located in town municipal council and town panchayat areas from Rs. 70,000 to Rs. 60,000 per annum and in respect of clubs located in other rural areas from Rs.60,000 to Rs. 50,000 per annum.**

**192. At present, a licensee who is granted a licence to sell Indian Made Liquor is permitted to sell foreign liquor (imported from outside India) on payment of an additional licence fee equivalent to ten percent of the licence fee. It is proposed to permit the sale of foreign liquor (imported from outside India) on payment of an additional licence fee of Rs.25,000 in case of wholesale licences (CL-1), Rs.5,000 in case of Clubs and Rs.10,000 in respect of all other licences granted for sale of liquor under the Karnataka Excise (Sale of Indian and Foreign Liquors) Rules, 1968.**

**193. The above provisions will come into force with effect from July 1<sup>st</sup> 2003.**

**194. In order to ensure proper utilization of rectified spirit and denatured spirit, I propose that the requirement of rectified spirit and denatured spirit for industrial concerns and pharmaceuticals will be supplied only through the warehouses established by Government companies. For this purpose, Warehouse licences will be issued to such Government companies for purchase and sale of rectified spirit and denatured spirit to industrial concerns and pharmaceuticals in the State.**

**195. It is proposed to give confiscated liquor to Government Companies free of cost with a condition that Excise Duty, Additional Excise Duty and Litre fee shall be paid to Government at the time of selling such confiscated liquor to the licensees.**

**196. In order to strengthen enforcement measures, I propose to introduce independent third party inspection in critical areas of management of Distilleries, Breweries and Excise Warehouses.**

#### **STAMPS AND REGISTRATION**

**197. Taking forward my Government's initiative on tax reforms, I propose to rationalize stamp duty and registration charges. The Tax Reforms Commission had recommended and I quote, "The Commission recommends that, to remove discriminatory treatment of equals, in the interest of horizontal equity, the incidence of all levies on conveyance (including surcharge, additional stamp duty and registration fee) should be limited to 9% of the market value in all areas without differentiation".**

**198. Sir, Based on this recommendation, I propose to reduce the stamp duty from 10% to 8% on conveyances, for property situated within the limits of Bangalore Metropolitan Regional Development Authority, and from 9% to 8% for property situated in city corporations, city municipalities, town municipal councils and town panchayaths outside the limits of BMRDA. The Karnataka Stamp Act 1957 will be amended accordingly.**

**199. I also propose to bring down the Registration fee to 1% from 2%.**

**200. I propose to levy surcharge of 2% and 3% on the stamp duty instead of the existing additional duty on behalf of the**

local bodies, as prevailing in the Section 99, of the Karnataka Municipalities Act, 1964, even in the areas of Municipal Corporations and Taluk Panchayats. The relevant Acts will be amended accordingly.

201. This progressive measure of rationalizing the stamp duty and registration fee is yet another step in my Government's commitment to provide citizen-centric services and good governance. This measure should also encourage better compliance by the citizens to declare correct value in their documents on property transactions and prevent evasion of stamp duty.

202. To ensure that the rationalization of stamp duty is implemented effectively and to eliminate evasion, I propose to constitute a Central Valuation Committee under the Commissioner of Stamps for the estimation, publication and revision of market value guidelines of real estate in the State.

203. This Central Valuation Committee will be responsible for bringing in a scientific approach to the assessment of market value guidelines in the State for formulation of right policy, methodology and administration of the market value guidelines for property transactions in the State.

204. The Committee will also address the inconsistencies that exist in the assessment of market values to facilitate the widening of the tax base, which is at present limited to Bangalore and a few other cities.

205. With effect from April 1<sup>st</sup> 2003, the use of stamp papers and stamps including judicial stamps will be discontinued. With this, the process of elimination of fake stamp papers and stamps will be completed.

206. I propose to exempt levy of court fee stamp upto Rs.10 both for judicial and non-judicial purposes.

207. Suitable amendments to the Karnataka Court Fees and Suits Valuation Act, 1958 as well the Karnataka Stamp Act, 1957 will be made.

208. I propose to bring down the stamp duty rate on Mortgages from 3% to 0.5%.

**209. I propose to increase the stamp duty on GPAs related to the sale of properties from 3% to 8% on par with conveyances.**

**210. I propose to remove the slab rates on the sale of apartments and flats and bring in an uniform conveyance rate on all the conveyances related to apartments and flats to 8%.**

**211. I propose to levy duty on sale deeds of properties executed by house building co-operative societies in pursuance of lease-cum-sale deeds executed before March 31<sup>st</sup>, 2001 on market value of property prevailing on the date of execution of lease-cum-sale deed of such properties.**

**212. In view of the above rationalization of the stamp duty and registration fee, concessions on stamp duty and waiver of registration fee which were in force under various policies will stand withdrawn from April 1<sup>st</sup>, 2003.**

**213. The details of these rationalization measures are shown at Annexures IX and X.**

#### **MOTOR VEHICLE TAXES**

**214. The principal problem in the transport sector is that supply is woefully short of the growing demand for public transport services. This mismatch has put the common citizen to considerable difficulty and inconvenience. The inadequacy of state transport undertaking run passenger services has resulted in several distortions including unregulated and clandestine operation of private passenger services seriously jeopardizing the safety of passengers and considerable dilution of traveling comfort. The brunt of this is being borne by the rural population.**

**215. Over loaded unauthorized maxicabs causing serious accidents, substituting brazenly for nationalized buses; goods vehicles like trucks and tractors designed for agricultural operations taking on passenger load on routes inadequately served by the state transport undertakings and roof top traveling is rampant.**

**216. The Tax Reforms Commission has examined this problem in considerable detail and I quote "Inadequacy of public transport facilities due to various factors seems to be creating conditions of artificial scarcity. Unless private operation is permitted optimum operation of passenger services and**

consequent improvement in comfort and safety standards is unlikely”.

217. The Tax Reforms Commission has therefore made a strong case for repeal of Contract Carriages (Acquisition) Act in the interest of the passenger comfort and safety. Therefore, I propose to repeal the Karnataka Contract Carriages (Acquisition) Act, 1976. This will pave the way for private contract carriages through out the state.

218. The Tax Reforms Commission has also recommended that stage carriage permits should also be given to private operators within 20 kms of district headquarters. I propose to implement this recommendation. A separate scheme for introduction of city/town services within the radius of 20 kms in and around the district headquarters excluding Bangalore will be implemented. Necessary amendments will be made to the various schemes notified by the Government.

219. These measures will be administered by the Regional Transport Authorities at the district level and by the State Transport Authority at the State level. Action will also be taken to rationalize slabs and tax rates suitably.

220. The Tax Reforms Commission has also recommended that state transport undertaking should be brought on par with the private stage carriages and taxed in the same fashion. I propose to enhance the present rate of tax from 6% to 7% on vehicles operating on moffusil routes and 3% to 5% on vehicles operating on city/town limits on the gross traffic revenue earned by state transport undertakings.

221. I also propose to enhance the ad-valorem rate of tax from 7% to 9% on new motor cars/jeeps and omnibus/private service vehicles having floor area up to 5 sq. meters and 10% in respect of vehicles the cost of which exceeds Rs.10 Lakhs at the time of registration. Necessary amendments will be made to the tax schedule.

222. I propose to rationalize and reduce the rate of tax on tourist vehicles from Rs.2,250 to Rs.2,000 per seat per quarter and Rs.4,000 to Rs.3,000 per sq. meter on campers van respectively to encourage tourist related activities in the state.

**223. With the introduction of computerization in the Transport Department, prompt, efficient and better services will be provided to the citizens. It is proposed to levy user charges of Rs.10 for each computerized document in addition to the regular fees payable to the Government.**

**224. LPG is being encouraged as an alternate eco-friendly and clean fuel for vehicles. To encourage the auto-rickshaws to use LPG, it is proposed to grant permits liberally to auto-rickshaws fitted with LPG by relaxing the quota/restrictions on grant of permits in major cities.**

**225. Further, to encourage retrofitting of LPG for in-use auto-rickshaws, the Government proposes to provide interest subsidy of Rs.2,000 per auto-rickshaw out of the Green Tax that is being collected.**

**226. The changes proposed are detailed at Annexures XI to XIII.**

#### **ELECTRICITY TAX**

**227. There are different rates of tax applicable to different categories of consumers based on their electricity consumption. These rates were last revised during 1996.**

**228. I propose to rationalize the existing tax structure, and introduce an ad valorem tax at 5% of total electricity charges payable by all the consumers, except agricultural consumers and Kutira Jyothi and Bhagya Jyothi consumers, as per the rates fixed by KERC from time to time. This tax structure would replace the existing tax structure effective from the 1<sup>st</sup> metering dates of consumers of electricity in the State on or after April 1<sup>st</sup> 2003. Necessary amendments will be made.**

#### **REVISED ESTIMATES 2002-03**

**229. The Revised Estimates of total receipts are Rs.24,745.75 Crores as compared to budget estimates of Rs.25,542.05 Crores for 2002-03. The total expenditure is expected to be Rs.24,915.76 Crores as against the budget estimates of Rs.25,597.32 Crores for 2002-03. After taking into consideration the surplus in the Public Account, the closing deficit for the year is likely to be Rs.(-)173.34 Crores as against the expected deficit of Rs. (-)153.28 Crores at the time of presentation of the 2002-03 Budget.**

## **BUDGET ESTIMATES 2003-04**

**230. The total receipts are expected to be Rs.26,907.08 Crores comprising Revenue Receipts of Rs.19845.17 Crores and Capital Receipts of Rs.7,061.91 Crores. The total expenditure is estimated to be Rs.26,839.43 Crores out of which revenue expenditure will be Rs.21,980.50 Crores and capital expenditure will be Rs.4,858.93 Crores.**

**231. Apart from major taxes, which have already been covered in my speech, the Government expects to raise Rs.1,814.40 Crores from Small Savings, Rs. 973.51 Crores from market borrowings (net), Rs.522 Crores from negotiated loans and Rs.2,931.50 Crores as total loans from the Central Government.**

**232. The Revenue Deficit works out to Rs.2135.32 Crores and the Fiscal Deficit works out to Rs.6,032.79 Crores.**

**233. With these estimates, an overall surplus of Rs.67.66 Crores is expected for the year. Taking into account the opening balance of Rs.(-)173.34 Crores, the closing balance is estimated to be Rs.(-)105.68 Crores. I hope to cover this deficit through expenditure control and fiscal management during the year.**

**234. I now commend the Budget Estimates 2003-04 for the consideration of the House. The entire budget will be discussed on the floor of the House. I now seek approval of the full budget for 2003-2004.**

**Jai Hind – Jai Karnataka**