

***Honourable Speaker,***

1. I rise to present the budget for the year 2004-05.

2. Sir, I had the privilege of presenting five successive budgets during the years 1995 to 1999. I stand before you once again to present the first budget in my second tenure as Deputy Chief Minister and Finance Minister. I wish to express my heart felt gratitude to the people of Karnataka for having given me this opportunity to serve the state again.

3. In the recent general elections to the State legislature, the people of Karnataka have voted for a change. Yet the vote for change has resulted in a fractured verdict. For the first time in the history of Karnataka a coalition Government of Congress and Janata Dal – Secular, became inevitable.

4. The coalition Government has emerged as a symbol of victory of the secular forces and the goal of this Government is the welfare of the people. We shall strive to make this coalition Government a success and provide

able, good and pro-people governance in the State over the next five years.

5. Both partners of our coalition Government had made certain commitments to the people of the State. These commitments have been translated into the **Common Minimum Programme** that the Government will implement over the next five years. The focus in the first year is on those programmes, which are high priority for both partners in the coalition. **This budget reflects the priorities of the Common Minimum Programme.**

#### **STATE OF THE ECONOMY**

6. Though Karnataka's real growth has consistently been higher than that of the national average in all three major sectors during the 1990s, in the first few years of the millennium, there is clear indication of a deceleration, caused primarily by negative growth in agriculture. Three years of consecutive drought have caused a severe dent in the agrarian economy.

7. The average real GSDP growth in the second half of the nineties was about 5.2% in the primary sector, 8.6% in the secondary sector and 10% in the tertiary sector, while in the first four years of this decade, the average growth has been (-) 3.6%, 6% and 8.8% respectively. The average real growth in overall GSDP has

been above 8% and 4.7% in the second half of the 1990s and in the early part of this decade respectively.

8. Inflation in Karnataka has also been lower than the national average. The drop in the inflation rate has been particularly marked in the first four years of this decade. While the average inflation rate for the period 1993-94 to 1999-2000 has been about 7%, in the period 2000-01 to 2003-04, it has been about 3.5%.

9. The outlook for the economy should thus be positive and tempered with abundant fiscal caution. It is possible to achieve and sustain a medium-term real growth average of 8% with low inflation if the agrarian economy is ring fenced against drought, there is adequate investment in irrigation infrastructure and the fiscal and development constraints of the state are addressed.

#### **THE UNION BUDGET AND THE STATE**

10. The Union Budget presented by the new government at the Centre has not disappointed me. However, given that people have voted for a change at the Centre as well, much more could have been done and much needs to be done.

11. I welcome the thrust given to rural infrastructure and education in the Union Budget. I am happy that the RIDF has been brought back. I expect higher allocations

to Karnataka and a focus on watershed development through the RIDF. The pilot schemes on farm level drought proofing vindicate a long-standing demand of Karnataka. While the cess for education is welcome, I am a little disappointed that the existing allocation for education has not been protected. This, I hope, will not affect the Centre's support to the mid day meal programme.

12. Service tax will be a buoyant tax for the States in the future. Therefore, but for a small exempt list and a list of services with inter-state significance, Service Tax must be transferred to states to levy and retain. I urge the Centre to consider this key demand of the states. Similarly, I urge the Centre to also enhance the share of the States in the divisible pool.

13. The announcement to reduce interest rates on block loans to 9% is a welcome relief. Plan assistance at a loan to grant ratio of 70:30 was justified at a time when 70% of the Plan was meant for capital expenditure. This situation no longer obtains. The Centre must reset this ratio to 50:50. It would also be fair for the Centre to offer full reset of interest on outstanding block loans at current market rates.

14. Another cause for justifiable concern is the large number of negotiated loans through LIC, GIC and NCDC.

These agencies have failed to pass on to the States the benefit of low market rates. Some of the old loans are at 14% to 15% rates. It will be my endeavour to prevail upon the Centre to allow prepayment of these loans.

**STATE FINANCES – A BRIEF OVERVIEW:**

15. **Much has changed in the State and its finances in the last five years.** The challenges that faced us five years ago have given way to newer and more serious concerns. The finances of most States in India have worsened. Karnataka has been no exception. That Karnataka's finances are brittle and under considerable stress is a truth that has to be faced squarely. Ensuring fiscal stability is no longer a catchword but an imperative for the future development of the State.

16. I wish to place before the people of Karnataka a brief overview of the State's finances. A few basic fiscal indicators compared for the year ending 1998-99 and 2003-04 would demonstrate the extent to which the fiscal health of the State has been affected.

17. The outstanding public debt has grown from Rs. 12,465 Crore to Rs.30,188 Crore. The outstanding liabilities of special purpose vehicles have grown from Rs. 2,146 Crore to the unsustainable level of Rs. 7,082 Crore. **In the future, therefore, our borrowing must be based**

**on the principle of affordability rather than on availability.**

18. Non-developmental expenditure<sup>1</sup> has grown from Rs. 8,280 Crore in 1998-99 to Rs. 14,700 Crore in 2003-04. **The expenditure on Salaries and pensions alone increased from Rs 4,900 Crore in 1998-99 to Rs. 8,700 Crore in 2003-04, an increase of 77.6%.** Non-developmental expenditure, today, pre-empts 75% of the State's revenues leaving a mere 25% for development programmes. **Unless hard decisions are taken urgently, Government will soon be doing little else but paying salaries, pensions and interest on loans.**

19. Equally, developmental expenditure of the State as a percentage of total expenditure has declined from 67.6% in 1998-99 to a low of 59.7% in 2003-04. **To improve the Quality of life of the poor and give impetus to growth with social justice, public investment in the core social sectors has to be enhanced.**

20. This change in the State's finances is a matter of serious concern reflected in the growing fiscal deficit, which as a percentage of GSDP has risen from 3.54% in 1998-99 to 4.26% in 2003-04. Efforts made to contain the revenue deficit have met with mixed results. Only in

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<sup>1</sup> Salary, Pension, Interest payments and Subsidies.

some years have we been able to bring down the revenue deficit. Achieving a consistent path of fiscal correction should now be targeted.

21. It is clear that several **fiscally imprudent decisions** including indiscriminate off-budget borrowings, uncontrolled administrative and employee costs, poorly targeted subsidies, inflated costs of large projects combined with time and cost overruns and considerable leakage of tax and non-tax revenues as well as of user charges in utilities **have combined to place the development of the State at a distinct disadvantage**. This disadvantage, coupled with three debilitating droughts has led to serious consequences. The quality of life has declined in Karnataka, relative to other comparable States. This decline has been much sharper in rural Karnataka. **The worst affected are the vast numbers of those with low economic entitlements who are also socially disadvantaged.**

#### **KARNATAKA AND THE HUMAN DEVELOPMENT INDEX:**

22. Among the top twelve Indian States, Karnataka has slipped from 6<sup>th</sup> place on the Human Development Index to 7<sup>th</sup> place. This trend must be reversed. Today, on most human development indices Karnataka is barely above the all India average. **My Principal objective will**

**be to create conditions over the next five years to successfully achieve the Millennium Development Goals in Karnataka as set out in the “Compact Among Nations to End Human Poverty”.**

23. This task cannot be achieved in just one Budget. We must also not lose sight of the fact that four months of the year have already elapsed. My Budget proposals therefore can only cover the remaining part of the year. This, therefore, has been the constraint under which I have had to formulate this Budget.

**THE FISCAL PARADIGM:**

24. My Fiscal Policy aimed at rapid economic growth with equity includes **seven key elements;**

25. **First, achieving a significant increase in tax and non-tax resource mobilisation.** This will be done by rationalising the tax structure to make it citizen friendly and growth oriented, stepping up enforcement to prevent revenue leakage and simplifying tax administration. An action plan to enhance Non-Tax revenues through rate rationalisation, aligning user charges with service delivery costs, incentivising additional resource mobilisation and improving collection efficiency will be implemented.

26. **Second, ensuring visible and sustained reduction in non-development expenditure** through a combination of measures. These will include; rightsizing of Government, pension reforms, lowering administrative costs, sharper targeting of subsidies and grants in aid and reduction in interest costs through debt swaps and control over unnecessary expenditure.

27. **Third, enhancing allocations on development expenditure in key social sectors** particularly in Primary Education, Primary Health, Agriculture and Rural Development, Drinking Water as well as in the development and welfare of the underprivileged to improve the quality of life. We will henceforth not spread our resources thin over too many schemes. Instead we will **reduce the multiplicity of schemes and move towards outcome based Programme budgeting.**

28. **Fourth, enforcing efficient subsidy management across sectors** to ensure that the benefits of subsidies flow to the intended beneficiaries. Government will enter into a Memorandum of Understanding with each of the subsidy-receiving agencies, under which release of subsidy will be linked to their achieving agreed performance parameters. The Special Purpose vehicles with off-budget borrowings will be part of this fiscal discipline.

29. **Fifth, improving the productivity of public expenditure** by introducing and monitoring measurable outcomes for all programmes. Years of public expenditure in crucial sectors such as Primary Education, Primary Health, Rural Roads, Drinking Water, Power Supply and Social Welfare have produced results far below expectations. **The delivery system in social sectors will be made accountable and a concurrent social audit of public expenditure will be introduced.** Officers in-charge of development programmes and welfare expenditure will be held accountable for achieving outcomes commensurate with the expenditure.

30. **Sixth, ensuring Fiscal Responsibility** through strict adherence to the Medium Term Fiscal Plan and ensuring full compliance by all departments, of the Karnataka Fiscal Responsibility Act.

31. **Seventh, strengthening institutional measures against corruption to prevent leakage of revenue on the resource side as well as in expenditure.** This will include a rule based transfer system, strict enforcement of the Transparency in Public Procurement Act, full implementation of the Anti-Theft legislation in the power sector, adherence to the Right to Information Act and implementation of the Karnataka Public Financial Management and Accountability Action Plan.

**GROWTH WITH EQUITY:**

32. It has been demonstrated time and again that rapid economic growth in itself does not necessarily mean a better life for the poor. In fact, growth left to be determined by market forces, with no interventions by Government, often creates islands of prosperity

33. Through policy interventions our Government will ensure that the poor, the socially disadvantaged and the farming community are brought within the mainstream of the development process. This shift in emphasis should be aimed at transforming the agrarian economy of Karnataka to make it more productive, bring better incomes to the farmers and a better quality of life to the people of rural Karnataka. **We will also give sharper focus to the development of Northern Karnataka.**

**AGRICULTURE AND THE RURAL ECONOMY:**

34. Agriculture is the backbone of the Karnataka Economy. It contributes about 25% of the state's GSDP and employs 70% of our rural population. We are also one of the leaders in agricultural diversification. We are the third largest producer of fruits and the fifth largest producer of vegetables in the Country. We have a successful model of contract farming, value addition and exports in the Gherkin Industry.

35. Despite all this no one can deny that public investment in agriculture has been low, not all farmers have been able to access credit, modern technology, irrigation and markets. Reforms have largely passed the farmer by.

36. My aim is to put agriculture on a new footing, to widen access to credit, irrigation, technology and markets, to step up both reforms and investment in agriculture and to restore the dynamism of the sector. This will require a **paradigm shift from agriculture to agri business.**

37. The farmer in Karnataka has the ability and the ingenuity to overcome the endemic problems in agriculture. He is also willing to work hard. However, what he lacks is access to cheap agricultural credit. Neither the commercial banking system nor the co-operative credit structure has been able to meet the credit needs of agriculture at low interest rates.

38. The co-operative credit institutions are, at present charging the farmers 12.5% for crop loans and 13.5% for long term loans. The Government is determined to change this decisively. To fulfil the commitment to the farmers of Karnataka as enunciated in the Common Minimum Programme, **I propose to make available agricultural credit, through the cooperative banks, to**

**the farmer at 6% rate of interest.** I am setting apart **Rs. 60 Crore** for this purpose. I am confident that this radical step, which is perhaps the first in our country, will transform agricultural development in Karnataka. A programme to make this benefit available to Scheduled Castes, Scheduled Tribes, Backward classes Minorities and other weaker sections will be drawn up.

39. Our Government has also decided that the cooperative credit institutions **will not henceforth charge compound interest and penal interest on crop loans.** Suitable directions have been issued in this regard.

40. Over 20,000 farmers who had availed term loans have repaid as interest, amounts in excess of the principal amount borrowed by them. The dues outstanding of such farmers, who have repaid an amount equal to the principal and simple interest on the loans that they had availed, will stand waived. I have set apart **Rs.49 Crore** to provide this relief.

41. In addition, the previous Government had announced waiver of interest on crop loans. To meet this commitment, I am providing Rs. 83 Crore in the current year.

42. The Union Finance Minister has, in the recent budget, announced certain measures to double the agricultural credit through the banking network. As part of these measures, a Task Force is being constituted to examine the reforms required in the cooperative banking system. We will await the recommendations of this task force and the action taken by Central Government and thereafter seriously examine further relief measures such as waiver of penal interest for farmers who are burdened with debt.

43. In the current year, I am enhancing the allocation for Crop Insurance and am setting apart **Rs. 241 Crore**.

44. We have been fortunate that most of the State has received widespread rains, sowing operations are in progress and the targeted sowing area for most crops in most districts should be achieved. Government has taken action to supply good quality seeds to the small and marginal farmers in the State at subsidised rates at a cost of **Rs. 50 Crore** in the current year.

45. In order to provide relief to farmers in the event of fall in the prices of agricultural produce, the Government is committed to undertake market support operations to stabilise prices through the Price Stabilisation Fund. The corpus of the fund will be enhanced to **Rs. 100 Crore**.

46. A comprehensive programme for the development of dry land on watershed basis will be launched in the current year. The objective of the project will be to conserve, develop and sustain soil and water resources, enhance agricultural productivity, reclaim wastelands and to construct water-harvesting structures. **I propose to set apart Rs.100 Crore for this programme.** After assessing the impact of the programme, the Government will consider expanding the project next year.

47. In recent years, a number of irrigation projects have been taken up by KBJNL, KNNL, and the CNNL. These will be completed expeditiously. Priority will be given to the time-bound completion of Upper Krishna Projects by the end of next financial year so that the benefits of irrigation reach the needy farmers. I am hopeful that Government of India will step up resource support to the State under the Accelerated Irrigation Benefit Scheme.

48. The Government is aware of the requirement of the farmers of Surpur, Jewargi and Shahpur taluks of Gulbarga districts, whose lands are at higher levels between KBC/SBC and MBC commands. Keeping this in view, it is planned to take up the investigation and technical feasibility of Mallabad Lift Irrigation Scheme which has the potential of providing irrigation to 40,000

ha. I am setting apart Rs. 5 Core for the investigation work.

49. There are three World Bank financed projects, which have potentially immense benefits for Karnataka's agriculture and the quality of life in rural areas. These include the watershed project at an estimated cost of Rs. 690 Crore; the tank management project at an estimated cost of Rs. 670 Crore and the Rural Water Supply Project at an estimated cost of Rs. 1,035 Crore.

50. The progress of these projects is extremely poor with less than 10% amount utilised over the last two years. These are projects, which benefit the rural poor, specially those farmers who depend on rain. Accelerated implementation of these projects will be given priority.

51. Every single person should have access to potable drinking water and all-weather housing. These are basic needs, and I am enhancing the allocation for Water Supply, Housing and Urban Development from Rs. 1732 Crore to Rs 1870 Crore, which is an additional allocation of Rs 138 Crore.

52. Some of the animal vaccines commonly used for protecting livestock and farm animals are since June 2002 being supplied at cost to the farmers. The reluctance of the farmers to pay for the vaccine has

resulted in several animals remaining unvaccinated and affected by disease.

53. With the exception of anti rabies vaccine mainly used in dogs and the foot and mouth disease vaccine for cattle which is subsidized by Government of India, all other bacterial and viral vaccines will henceforth be supplied free of cost.

54. The Karnataka Sheep and Wool Development Corporation is engaged in sheep and goat development activities. Shortage of resources has affected the activities of the Corporation. To revitalise the Corporation, I propose to provide a one-time grant of Rs. 3 Crore during the current year.

55. To provide relief to the fishermen who use mechanised fishing boats I propose to extend waiver of sales tax on diesel supplied to mechanised fishing boats limited to 50,000 KL per year. This benefit will cost Rs. 25 Crore.

56. To give a thrust to agriculture, I am enhancing the plan outlay for agriculture substantially from Rs. 412 Crore in 2003-04 to Rs. 840 Crore in 2004-05, a growth of 104%.

**FOOD SECURITY:**

57. Insulating the poor and the under privileged population against hunger and deprivation is the foremost amongst the welfare responsibilities of the State. In recent times, we have seen the unfortunate misuse and diversion of food grains under various programmes meant for the poor. With a view to prevent such rampant misuse and to ensure better targeting and delivery of subsidized grains, immediate steps will be taken to weed out the ineligible cardholders. This process will be completed by 31<sup>st</sup> August 2004.

58. Providing those families below the poverty line with cheap food grain for their daily sustenance is a solemn commitment made by our Government. Under the public distribution system **each Below Poverty Line cardholder will be provided 20 kg of rice and 5 kg of wheat at Rs.3 per kg per month,**. I am sure this will in substantial measure provide sustenance to the poor in Karnataka. **I am setting apart Rs.300 Crore for this programme.**

**PRIMARY EDUCATION AND PRIMARY HEALTH:**

59. I have already referred to the urgent need to meet the Millennium Development Goals. Let me quote from the Human Development Report "Human development is

about people, about expanding their choices to live full, creative lives with freedom and dignity .....Fundamental to expanding human choices is building human capabilities. The most basic capabilities are living a long and healthy life, being educated and having a decent standard of living". **Primary education and primary health should, therefore, be the focus of our development effort.**

60. The mid-day meal programme has now gained national acceptance. Karnataka has already implemented the mid-day meal programme in Government primary schools for all children up to class five. In the current year, I propose to extend the mid-day meal scheme to cover all children up to class seven in both Government schools as well as grant-in-aid schools. In addition, I propose to enhance the conversion charges for providing a hot cooked meal from Re.1 to Rs.1.31 per child per day. I am setting apart **Rs.262 Crore** for this programme in the current year. This will benefit an additional **twenty-five lakh** school children. Under the Common Minimum Programme the State Government is committed to extend the mid-day meal scheme to all children up to class ten in a phased manner over the next five years.

61. The total plan allocation that I am making for the education sector is Rs. 860 Crore. **This is a substantial**

**increase of 61% over previous year's allocation of Rs. 535 Crore.**

62. The efficiency of Government's spending in education needs to be improved to focus on quality of output. The reforms in education aimed at improving the quality of primary education will include;

- Implementing the learning guarantee system in the entire State so that the quality of every elementary school is assessed and good schools rewarded,
- Rationalisation of schools and teacher: student ratios to extend coverage to underserved areas,
- Enhancing additional funding to non-salary activities,
- Empowering school management committees to monitor the attendance and performance of teachers,
- Reforming the grant-in-aid system to ensure better quality schooling and wider reach for the poor and disadvantaged students.
- Rationalising the input cost subsidisation schemes in the education sector and canalising more funds through the maximum impact programs.

63. Public health expenditure as a percent of GSDP should reach at least 2% in any progressive society. From 1.02% of GSDP in 1999, this has fallen to 0.7% in 2004 in Karnataka. I am enhancing the Plan outlay for the health sector from Rs. 333 Crore to Rs. 377 Crore with a focus on taluka level hospitals and on improvement of medical infrastructure in Northern Karnataka.

64. A key initiative to improve and extend the primary healthcare system in Karnataka will be taken under the "Health and Nutrition Project" with the support of the World Bank. This project, estimated to cost **Rs. 765 Crore** would be implemented over the next five years. The focus of the programme will be to increase access to health care for the rural poor and the under-privileged, and to strengthen of primary health care with community participation.

65. The Yashaswini scheme provides certain healthcare facilities to the farmers who are members of cooperative societies. There are a large number of small and very marginal and agricultural labourers, who, not being members of cooperative societies, are not covered under Yashaswini. To meet the needs of such farmers, I propose to strengthen the corpus of the existing Medical Relief Fund to **Rs. 50 Crore**. Further, during the course of the year, Government will examine how a viable

insurance scheme, to be called, 'Sanjeevani' could be evolved to cover these sections.

**DEVELOPMENT OF SCHEDULED CASTE, SCHEDULED TRIBES, BACKWARD CLASSES AND MINORITIES**

66. The Ganga Kalyana scheme, which brings economic benefits to small farmers among the Scheduled Castes and Scheduled Tribes, is provided with Rs. 13 Crore in this year. This will be in addition to the regular programme under pooled funds.

67. The allocations for disparate programs under the SCP & TSP will be pooled to the fullest extent possible to ensure additional allocations for Scheduled Caste and Scheduled Tribe Welfare. The overall plan outlay for Social Welfare will increase from Rs. 396 Crore to Rs. 435 Crore, including pooling.

68. To enhance the existing educational opportunities and to provide quality education to the children belonging to SC/ST, Backward Classes and Minorities, I propose to start 30 new residential schools. Of these 10 will be for Scheduled Caste, 10 for Backwards Classes and five each for Scheduled Tribes and Minorities.

69. To enable the members of Backward Classes to take up self employment activities by upgrading their

skills to suit current market needs, under **Shrama Shakthi**, I propose to earmark **Rs. 20 Crore**.

70. A castewise survey of the Backward Castes will be taken up with Central assistance to enable better planning and targeting of welfare programs. I have earmarked **Rs 2 Crore** for the purpose.

71. Our approach towards development of Minorities has been fragmented. Currently, Minorities Development, Wakf, Haj, Urdu Language etc. are under different departments. I propose to bring all of these welfare measures under a single umbrella by creating a post of Secretary to Government, Minority Welfare to ensure better focus for development of Minorities.

72. I am also enhancing the allocations for the Minorities Commission and the Wakf Board to enable welfare programs to be taken up for protection of Wakf properties.

73. Recognising the need for providing adequate opportunities to the Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities in Government procurement, I intend to extend the benefit of upto 50% purchase preference to the members of the SC/ST, BCs and Minorities in all procurements upto the value of procurement that is exempt under the KTPP Act.

**WOMEN AND CHILD DEVELOPMENT**

74. The Stree Shakthi Programme has been successful. To strengthen the newly formed self-help groups, I propose to allocate Rs. 16 Crore towards the Revolving Fund and training of these groups.

75. I am also setting apart Rs. 6 Crore for construction of Anganwadi Centres.

**FOCUS ON NORTH KARNATAKA**

76. Northern Karnataka has, on average, received only 30% of district sector non-salary expenditure and about 50% of road outlays over the last 5 years.

77. While enhancing the allocation for HKDB, I wish to emphasize the need for sustained allocational bias rather than a package approach to long-standing regional imbalance problems. Our Government is committed to the implementation of the recommendations of the High Power Committee on Regional Imbalance. The key to restore balanced development is to allocate all development expenditure on the basis of a composite development index and by giving priority to bridging the sectoral gaps in the 37 backward talukas of Northern Karnataka. We will also urge the Central Government to accord special status, under Article 371 of the Constitution, to North Karnataka.

78. To meet the long-standing demand of a High Court Bench in Northern Karnataka, I am providing Rs. 20 Crore in the current year. If need be, this allocation will be enhanced. A Science City will be promoted in Dharwad. A Food Park will be operationalised in Jewargi Taluka of Gulbarga District. In all, **the share of Northern Karnataka in the total outlay would be about Rs. 7,170 Crore which is 54% of the outlay.**

#### **KANNADA AND CULTURE**

79. Our government's concern is to protect and develop Karnataka's land and water resources, language and culture. To meet this objective, I propose to enhance allocation to various academies so that they can take up more activities. Similar attention will be given to our rich heritage and I propose to declare Mysore, Srirangapatana, Bidar, Bijapur, Gulbarga and Kittur as heritage centres. I have earmarked Rs. 3 Crore in the current year to enable one project each being taken up in these cities. Development of Basava Kalyan in Bidar district will also be taken up on the model of Kudala Sangama.

#### **INDUSTRY AND INFRASTRUCTURE**

80. Government has been giving investment subsidy to encourage establishment of small scale industries. The

disbursement of this subsidy has been pending for several years. To clear a part of this liability, Karnataka State Finance Corporation will be authorised to raise **Rs. Sixty-five Crore**. The disbursement shall be subjected to strict scrutiny.

81. To give a boost to economic activities in potential areas, I propose to establish Airstrips at Mysore and Gulbarga and earmark an amount of **Rs. Five Crore** for this purpose in the current year.

82. I propose to include industrial infrastructure in the activities that could be taken under the Infrastructure Initiative Fund. I hope this will provide the required acceleration to key industrial infrastructure projects.

83. Biotechnology is a sunrise industry. While Karnataka is already emerging as a leader in this sector, we must ensure that we build a vast pool of biotechnologists. Towards this end, I propose to provide Rs. 10 Crore for the Institute of Biotechnology and Applied Bioinformatics from the Infrastructure Initiative Fund.

84. Over twenty thousand villages and about seventy four lakh passengers are served annually by the SRTCs. Upgrading public transport facilities including bus stands

in Taluka headquarters, provide waiting room and wash room facilities in rural bus stands and way-side facilities for the benefit of long distance passengers in rural areas should be a priority. In order to fund this infrastructure, I propose to provide support through the Infrastructure Initiative Fund.

***Weavers Package***

85. There are 80,000 weaver families in Karnataka. I propose to extend a package of facilities to them at a cost of **Rs. 20 Crore**, which will include:

- A suitable power subsidy to powerloom weavers who own less than 4 looms.
- Providing living cum work sheds.
- Extending a suitable scheme for health insurance to both handloom and powerloom weavers.
- Supply of quality raw material.
- Enable weavers to avail credit facilities.
- Provide for skill upgradation.

86. It is necessary to harness the talent of youth and develop the human resources of our state. With this end in view, a scheme to provide for training and skill development of unemployed youth in urban and rural

areas enabling them to be self-employed will be formulated and provided for.

87. Karnataka's contribution to the Indian Defence Services has been significant, especially from Kodagu district. To encourage more of our youth and to provide education to train them to join the defence services, I propose to establish a Sainik School in Kodagu district. I am allocating Rs. 1 Crore for this purpose.

#### **TOWARDS GOOD GOVERNANCE**

88. High costs of public service delivery are a premium on the poor. **My effort will be to fashion responsive and "responsible" governance.**

89. The contours of these reform efforts are set out below:

- Right sizing the bureaucracy will be top priority. Functional reviews of all departments will be completed and redeployment and VRS operationalised. Recruitment freeze will continue.
- In tandem with compression of the number of ministries, a reverse merger of departments will be implemented.
- A defined contribution pension scheme operated through an investible fund will be introduced on

the GoI pattern. The recommendations of the committee constituted by the Reserve Bank of India on Pension Reforms will be fully implemented.

- Economy in administrative expenditure will continue to be observed by all.

### **REFORMS IN THE POWER SECTOR**

90. All of Government's efforts for fiscal consolidation and to enhance allocations for core social sectors would be set to naught if the crisis of the power sector is not tackled. The losses of the power sector for the year ending 2003-04 came close to Rs. 3000 Crore.

91. The magnitude of the problem can be judged by the fact that the **financial losses of the power sector, which are ultimately met by Government, are nearly as much as what the Government spends on school education in the State and three times what we spend on health or agriculture.**

92. We cannot afford this level of losses. In addition to the subsidy provided in the budget, the ESCOMs and KPTCL must meet the remaining gap through efficiency and ARM measures including:

- Improving collection efficiency from the current level of 85% to at least 95% in this year. I appeal

to all consumers to pay their bills and avoid disconnection.

- The Anti-theft Act should be enforced to eliminate commercial losses. A campaign must be launched against the theft of power and offenders subjected to severe punishment.
- Enforcing strict energy audit with a view to reduce technical and commercial losses. For this purpose, all consumers will be metered.
- A performance based MoU will be signed between the ESCOMs and the Government under which release of subsidy will be linked to their achieving specified performance parameters.
- Supply regulation is critical to keep the fiscal burden of the power sector within affordable limits. This will be monitored and enforced. We cannot allow an un-budgeted increase in the power subsidy to crowd out other more productive expenditure. Any policy changes, which impact on the power sector subsidy claim on the budget, will henceforth have to be only with the prior approval of the Finance Minister.

93. Wide ranging power sector reforms and investment in power generation will be critical to both fiscal stability

as well as meeting the growing demand for power in the State. Through all these measures, Government will ensure supply of quality power to the rural areas.

#### **CHIEF MINISTER'S ROAD FUND**

94. Over the last decade, we have added considerable length of new roads covering State Highways, Major District Roads, Other District Roads as well as Village Roads. This has been achieved through State funding, Central assistance, off-budget borrowings as well as externally aided projects. High order maintenance of these assets should be ensured if we are to reap the full benefits of such an extensive road network.

95. A fundamental change in our approach to road maintenance will be necessary to ensure adequate funding. I propose to convert road maintenance into a funded activity henceforth. **The existing Chief Minister's Road Fund** will henceforth cover all roads in Karnataka. The road fund will be supported by the road cess, contribution from the infrastructure fund and an appropriate tolling policy. It will also be ensured that rigorous maintenance standards, transparency in its operation and appropriate merit ordering in selection of roads are provided for through suitable guidelines.

**ANNUAL PLAN 2004-05**

96. I have enhanced the Annual Plan Outlay from Rs. 10083.51 Crore in 2003-04 (Revised Estimates) to Rs. 12322.92 Crore in 2004-05 (Budget Estimates). The increase in Plan Size amounts to 22.2%. The major sectoral allocations are given in **Annexure-I**.

I now go to the tax proposals.

**COMMERCIAL TAXES****Sales Tax*****Reduction in Taxes and Rationalisation of Rates***

97. The thrust of my tax effort in this Budget has been two-fold. First, to reduce the burden of taxes on the common man by reducing the incidence of taxation. In doing so, I have ensured that commodities of mass consumption, inputs and raw materials, commodities that impact the rural economy and the poor as well as consumables are brought under lower tax rates. I have tried to bring as many of the common man's commodities as possible under the 1% and 4% tax rates, while continuing exemptions to some of these commodities. Thus I have reduced the taxes on as many as 125 commodities and 43 types of works contracts. This will entail revenue loss of about Rs. 100 Crore, which I

propose to offset through better enforcement and improved tax compliance.

98. Second, rationalisation of tax rates by reducing the number of rate slabs from the current level of 14 rates to 7 rates. There are at present 9 basic rates, which I am reducing to 4 rates. Most of the commodities are being brought under the basic rates of 4%, 8%, 12% and 16%. Only a few select commodities are being brought under the special rates of 1%, 20% and 28%. I propose to abolish the special rate of 17.5%. The list of commodities, the tax rates of which would be modified under this proposed regrouping is furnished in **Annexure – II** and **Annexure VI**.

#### ***Reliefs and Concessions***

99. The trade and industry have made representations for several tax reliefs and concessions. It has been possible for me to consider some of their requests. I propose to exempt tax on certain commodities including raisins, kardi seeds etc. The details are given in **Annexure – III**.

100. I propose to exempt resale tax on cellular phones to encourage better tax compliance.

101. On the question of double taxation on rough granite stones and polished granite stones, the industry

has sought retrospective relief. I propose to give suitable relief to this industry.

***Rationalisation and Administrative Measures***

102. I propose to simplify tax administration and encourage better compliance. The details of these measures are at **Annexure IV**.

103. The lower tax rates in the neighbouring States on certain high value commodities has resulted in trade diversion. To correct this situation, I propose to reduce the tax on certain commodities listed in **Annexure – III**.

104. In addition, with a view to make our enforcement efforts more effective and to improve tax compliance, I propose to introduce certain specific changes in the law through amendments. These are detailed at **Annexure-V**.

***Additional Resource Mobilisation Measures***

105. In order to mobilize additional resources, I propose to,

- Withdraw the current tax concession of 8% on luxury goods sold in Defence Canteen Stores and of 4% on other goods sold in Defence Canteen Stores.

- Withdraw the tax concession of 4% on Diesel and other petroleum products sold for captive power generation.
- Withdraw tax exemption on coffee powder made out of coffee seeds on which tax has been paid and instead provide set-off towards tax paid on coffee seeds.
- Increase rates of tax on certain commodities. The details of such commodities and the proposed rates are furnished in **Annexure-VI**.
- Levy road cess of 10% and infrastructure cess of 5% on goods mentioned in **Annexure-VII**.
- Increase the rate of tax on leasing on goods to 8%.

***Review of Notifications:***

106. Currently, there are many notifications extending tax concessions on specified goods and to specified persons. I, propose to review the same and continue only those, which are necessary and withdraw the others.

***VAT Implementation***

107. As part of the National consensus on VAT implementation, the State is fully prepared to introduce Value Added Tax from 1st April, 2005. We have taken all preparatory steps in this direction. We hope that the

Government of India will spell out clearly its commitment to help the States during the initial stages of introduction of VAT.

108. I also propose to:

- Re-organise the Commercial Taxes Department on a functional basis to prepare for full implementation of the Value Added Tax with effect from 1<sup>st</sup> April 2005. This functional organization for VAT will be put in place during the year 2004-05.
- As a beginning in this direction I propose to, create an exclusive office for issue of registration and cancellation of registration under Sales Tax in one administrative division in Bangalore City.
- Provide the facility of online filing of returns and payment of tax by dealers in Bangalore.
- Simplify Tax remittance by providing for collection of Taxes through the network of State Bank of India and its associate banks and where there is no network of the SBI or its associates, through other banks approved by RBI. This will be operationalised from 1<sup>st</sup> October, 2004.

109. To effectively check leakage of revenue and also prepare the ground for effective implementation of VAT, I

propose to computerize all the checkpoints and inter-link them with the assessment offices of the department, which would ensure faster and online exchange of information relating to movement of goods.

110. I propose to abolish four intermediate checkpoints at Manuganahalli (on Mysore-Hunsur Road), Tadas Cross (near Hubli), Hospet and Harihara, and convert them into mobile checkpoints. .

111. I propose to announce a scheme of deemed acceptance of returns filed for the assessment years upto the year 2002-03 under Sales Tax and Entry Tax Acts, based on the returns filed by dealers subject to certain specified conditions. 10% of the above cases would be selected on random basis for detailed scrutiny assessment.

### **Central Sales Tax**

#### ***Reliefs***

112. I propose to reduce tax on inter-state sale of plastic woven sacks, laminated woven sacks and copper rods to 1% to encourage sales from our State.

**Entry Tax*****Reliefs***

113. I propose to, provide for set-off of central sales tax paid by consumers against entry tax payable on motor vehicles brought from outside the State, retrospectively.

***Rationalisation Measure:***

114. I propose to provide specifically for retrospective levy of tax on motor vehicles brought from outside the State to remove doubts.

115. I propose to introduce a new enactment providing for levy of tax on high value goods brought into the State at the same rate as the sales tax rate to prevent trade diversion and protect the local trade and industry.

**Entertainment Tax*****Reliefs***

116. I have carefully examined the representations made by the film industry. Considering their requests, I propose to reduce entertainment tax on films to 40%.

***Additional Resource Mobilisation Measures***

117. I propose to levy entertainment tax on admission to live telecast of horse races in the turf clubs.

118. I propose to reduce the current tax exemption limit of Rs.250 in respect of admission to entertainments other than cinematographic and video shows held in Bangalore Urban Agglomeration and City Municipal Corporation limits, to Rs.50 per head.

### **Professions Tax**

#### ***Reliefs***

119. I propose to,

- Introduce an amnesty scheme for recovery of all arrears for the period ending 31<sup>st</sup> December, 2003.
- Introduce a self-assessment scheme for small employers.

#### ***Rationalisation Measures***

120. I propose to facilitate filing of returns and also assessment under Professions Tax by employers with their jurisdictional sales tax office.

### **Betting Tax**

#### ***Rationalisation Measures***

121. I propose to fix the composition amounts payable in respect of horse racing at the rate of 4% of the stake money.

122. I propose to provide for levy of interest for delayed payment of Betting Tax.

**Luxuries Tax**

***Additional Resource Mobilisation Measures:***

123. I propose to reduce the current tax exemption limit of Rs.400 per day for hotels and lodging houses to Rs.150 per day and revise the luxury tax rates as in **Annexure - VIII**.

124. I also propose to withdraw the benefit of levy of luxury tax on actual charges collected and restore the old taxation system.

125. I also propose to levy tax at 8% on accommodation and other luxuries provided in hospitals, therapy centres and the like where the charges are more than Rs.1000 per day.

The proposed Additional Resources Mobilisation measures under Commercial Taxes would yield about Rs. 150 crores.

126. **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**

127. I do not propose any change in the Excise duty or the license fee structure on Indian Made Liquors. Efforts will continue to be made to improve enforcement against tax evasion and for better compliance.

128. Major reforms are necessary in the arrack trade. There is considerable loss of revenue to Government because of the rampant menace of non-duty paid arrack. Combined with illicit manufacture of arrack, illegal sachet machines and large number of unauthorized arrack shops, the loss to the State exchequer is very heavy.

129. I propose a radical change in the arrack policy to eliminate the problem of non-duty paid arrack. This new policy will be based on the following principles:

- Rectified spirit and denatured spirit for all uses will be fully canalised through the state owned Karnataka State Beverages Corporation Limited to prevent misuse and diversion to unauthorised uses.
- Removal of the price differential between the market price of non-duty paid arrack and administered price of arrack by reducing the Excise duty per bulk litre of arrack from Rs. 20 to Rs.2 and shifting the levy to the point of

manufacture. This rationalisation will eliminate the incentive for seconds.

- Liberalising arrack manufacture to make it market driven such that the supply of arrack is not the responsibility of the Government but rather the function of demand and supply in the market.
- Allowing the market demand and supply forces to determine prices rather than Government administering the prices of Rectified Spirit and Arrack. Government will only put a ceiling on the Maximum Retail Price of arrack.
- Putting in place third party inspections to certify quantities and quality of rectified spirit and arrack.

130. This new policy will be implemented with strong enforcement measures to make the excise administration transparent, accountable and to significantly enhance excise revenues to the State. I expect these reforms to bring about Rs. 300 Crore additional revenue to the State exchequer.

131. The sale of toddy through societies is permitted in certain taluks of Gulbarga and Raichur. In the absence of enough toddy trees in these areas, spurious toddy made by using chemicals is endangering the health of the local

people. It is also causing considerable loss of revenue. For these reasons, I propose to withdraw the permission for sale of toddy in these two districts.

### **STAMPS AND REGISTRATION**

132. I do not propose any changes in the Stamp duties or registration charges. The process of full computerisation and steps to improve service delivery through reforms in this sector will be continued. The Central Valuation Committee has already notified revised guideline values for registration of properties in Bangalore city. Similar revision of guideline values will be completed and notified for the other major cities of Mysore, Mangalore, Hubli-Dharwad, Belgaum, Gulbarga and Davangere. This process will be completed before December 2004.

### **MOTOR VEHICLES TAX**

133. I do not propose any changes in tax rates except for one. At present, luxury cars, jeeps and utility vehicles costing more than Rs. 10 lakh are being taxed at 10%. I propose to enhance this tax from 10% to 12%. Similar vehicles costing between Rs. 5 lakh to Rs 10 lakh are being taxed at 9%. I propose to enhance this tax to 10%. The changes proposed are detailed in **Annexure-IX**. These measures will yield additional revenue of **Rs. 4 Crore**.

134. The programme for computerisation of Regional Transport Office will be extended rapidly to include all major cities in Karnataka during the current year. Steps will also be taken to improve the quality of service delivery.

### **NON-TAX REVENUES**

135. The performance on non-tax revenue mobilisation has been far from satisfactory. There is, therefore, a need to review the rates of non-tax levies in all sectors, streamline the administrative arrangements for effective collection and enhance non-tax revenues in a sustained manner. The recommendations of the Revenue Reforms Commission on non-tax revenues will be examined for expeditious implementation.

### **Online and Internet Lotteries**

136. There has been a growing demand in all walks of life to ban online and internet lotteries. It is my conviction that Government should not promote such lotteries. This is also a part of the Common Minimum Programme. Respecting the sentiments of the people of Karnataka and to fulfill our promise I have terminated the agreement that Government of Karnataka had signed with the online lottery operator on 22<sup>nd</sup> May 2002. This termination has taken effect from 15<sup>th</sup> of July 2004.

137. It is necessary to take strong action to eliminate online and internet lotteries in Karnataka. I therefore propose to ban all online and internet lotteries with immediate effect. Karnataka will be declared as an “online and internet lottery free zone”. With this, we would have fulfilled the aspirations of the people.

138. There will be a loss of about Rs. 250 Crore to the State exchequer as a result of this ban. I hope to make up this shortfall through other tax rationalisation measures.

#### **REVISED ESTIMATES 2003-04**

139. The Revised Estimates of total receipts are **Rs. 30069.82 Crore** as compared to the Budget Estimates of **Rs. 26907.08 Crore** for 2003-04. The total expenditure is expected to be **Rs. 30541.16 Crore** according to the Revised Estimates against the Budget Estimates of **Rs. 26839.42 Crore** for 2003-04. After taking into account the surplus in the Public Account, the closing deficit for the year is likely to be **Rs (-) 400.79 Crore** as against the expected deficit of **Rs. (-) 105.68 Crore** at the time of presentation of the 2003-04 Budget.

#### **BUDGET ESTIMATES 2004-05**

140. The total receipts are expected to be **Rs. 32065.99 Crore** comprising revenue receipts of **Rs. 25510.31**

**Crore** and capital receipts of **Rs. 6555.68 Crore**. The total expenditure is likely to be **Rs. 31591.88 Crore** of which revenue expenditure is estimated at **Rs. 25437.48 Crore** and capital expenditure is estimated at **Rs. 6154.40 Crore**.

141. Government expects to raise **Rs. 14957.96 Crore** in tax revenue and **Rs. 4486.35 Crore** in non-tax revenue. In addition, Government expects to raise **Rs. 2615.91 Crore** from Small Savings, **Rs. 1087.96 Crore** from Market Borrowings (net), **Rs. 585 Crore** from Negotiated Loans and **Rs. 2238.05 Crore** as total loans from the Central Government.

142. Honourable Members would be pleased to know that for the first time after a gap of 8 years, I am commending a budget with a revenue surplus of **Rs. 72.83 Crore**. This signals a major fiscal correction and reiterates our commitment to reform our finances and ensure that our current expenditures are met by current revenues. We will not have to borrow to meet our revenue expenditure. Increased revenue balances in future years will enable us to create additional assets. I have also reined in the fiscal deficit at **Rs. 4246.64 Crore**, which is much lower than the fiscal deficit of **Rs. 5564 Crore** in 2003-04 (Revised Estimates).

143. Taking into account, the opening balance of **Rs. (-) 400.79 Crore** the closing balance is estimated at **Rs. 73.32 Crore.**

#### **A CLEAR VISION**

144. Our vision is clear and our targets precise. Karnataka's all-round development is our goal. Our objective is to progress on the path of economic reforms with a firm foundation in social justice. The challenge is of making hard decisions while at the same time fulfilling the people's aspirations. It is our resolve to ensure that promises are fulfilled. Let us walk towards a brighter Karnataka.

145. I now commend the Budget Estimates 2004-05 for the consideration of the House. The entire budget will be discussed on the floor of the House. I now seek the approval of the full budget for 2004-05.

**"Jai Hind – Jai Karnataka"**

**BUDGET AT**

Sl. No.	Item	Budget Estimates 2003-04	Revised Estimates 2003-04	Budget Estimates 2004-05
	Opening Balance	-173.34	70.55	-400.79
<b>A. REVENUE ACCOUNT</b>				
<b>I. Receipts</b>				
	State Taxes	12588.38	12962.88	14957.96
	Share of Central Taxes	3044.76	3243.15	3760.41
	Grants from Central Government	2498.70	2099.34	2305.59
	Non-Tax Revenue	1713.33	3426.47	4486.35
	<b>Total-A. I</b>	<b>19845.17</b>	<b>21731.84</b>	<b>25510.31</b>
<b>II. Expenditure</b>				
	Social Services	7141.41	6878.25	7662.30
	Economic Services	5706.78	5471.01	5500.72
	General Services	8392.62	9946.03	11475.96
	Grants-in-aid & Contributions	739.68	754.99	798.50
	<b>Total-A. II</b>	<b>21980.49</b>	<b>23050.28</b>	<b>25437.48</b>
	A. Revenue Account Surplus/Deficit	-2135.32	-1318.44	72.83

**ANNEXURE - I**  
**(Para -96 )**

**SECTORAL STATE PLAN ALLOCATION-2004-05**

Sector	Rs. in Crores	Percentage
<b>A) ECONOMIC SERVICES</b>		
Agricultural & Allied Services	833.40	6.76
Rural Development	534.10	4.33
Special Area Programmes (HKDB & MADB)	67.30	0.55
Irrigation & Flood Control	3023.96	24.54
Energy	2714.85	22.03
Industries & Minerals	105.06	0.85
Transport	1386.83	11.25
Science, Technology & Environment	11.29	0.09
General Economic Services	238.25	1.93
<b>B) SOCIAL SERVICES</b>		
Education, Sports, Arts & Culture	844.56	6.85
Health	180.12	1.46
Water Supply & Sanitation	617.20	5.01
Housing & Urban Development	1252.38	10.16
Information & Publicity	2.60	0.02
Welfare of SC's, ST's, OBC's, Social Welfare & Nutrition	377.32	3.06
Labour & Employment	15.50	0.13
<b>C) GENERAL SERVICES</b>	118.20	0.96
<b>Total</b>	<b>12322.92</b>	<b>100.00</b>

**A GLANCE***(Rs. in crores)*

Sl. No.	Item	Budget Estimates 2003-04	Revised Estimates 2003-04	Budget Estimates 2004-05
<b>B. CAPITAL ACCOUNT</b>				
<b>I. Receipts :</b>				
	Loans from Government of India	2931.50	2284.27	2238.05
	Open Market Loans (Net)	973.51	2169.51	1087.96
	Loans from LIC, RBI, GIC & NCDC	2336.40	2710.00	3200.91
	Recoveries of Loans and Advances	100.50	100.50	29.91
	Public Account (Net) etc.,	720.00	1073.70	-1.15
	<b>Total - B. I</b>	<b>7061.91</b>	<b>8337.98</b>	<b>6555.68</b>
<b>II. Disbursements :</b>				
	Capital Outlay (Net)	3561.66	3825.29	3746.61
	Repayment of Central Loans	639.26	2915.96	1342.49
	Repayment of Loans to LIC, RBI, GIC and NCDC etc.,	221.70	228.76	462.52
	Disbursement of Loans & Advances	436.31	520.87	602.78
	<b>Total - B. II</b>	<b>4858.93</b>	<b>7490.88</b>	<b>6154.40</b>
	B. Capital Account Surplus/Deficit	2202.98	847.10	401.28
	C. Overall Surplus/Deficit for the Year	67.66	-471.34	474.11
	D. Closing Balance	-105.68	-400.79	73.32

**ANNEXURE – II**

(Para 98)

**PROPOSED MODIFICATIONS IN SALES TAX RATES****A.**

<b>Sl. No.</b>	<b>Name of the Commodity</b>	<b>Existing rate of tax (%)</b>	<b>Proposed rate of tax (%)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Aluminium sheets, circles, hoops, strips and rolls	<b>13</b>	<b>12</b>
2	Aluminium bars, rods, rounds, squares, flats, octagons and hexagons	<b>13</b>	<b>12</b>
3	Aluminium tubes (rounds and squares) of all diameters and lengths incl.tube fittings	<b>13</b>	<b>12</b>
4	Aluminium wire rods and wires rolled or drawn	<b>13</b>	<b>12</b>
5	Aluminium structurals, angles, joists, channels, tees, sheets piling sections, Z sections or other extrusions	<b>13</b>	<b>12</b>
6	Aluminium foils, aluminium oxide, aluminium grains, aluminium powder, aluminium tape	<b>13</b>	<b>12</b>
7	Aluminium utensils other than specified elsewhere in second schedule and also excluding aluminium domestic utensils	<b>5</b>	<b>4</b>
8	Arc carbons	<b>13</b>	<b>12</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
9	Bearings, that is, ball or roller bearings (all kinds).	<b>13</b>	<b>12</b>
10	Brass circles, sheets and strips	<b>13</b>	<b>12</b>
11	Articles made of brass, brass rods, rounds, squares & flats but excl. those specified above and elsewhere	<b>13</b>	<b>12</b>
12	Bricks of all kinds other than country bricks, refractory bricks and the like	<b>5</b>	<b>4</b>
13	Articles made of bronze including bronze rods, rounds, squares & flats but excl. those specified above and elsewhere	<b>13</b>	<b>12</b>
14	Butter and ghee	<b>13</b>	<b>12</b>
15	Audio and video blank cassettes, audio and video recorded cassettes, parts and accessories of cassettes, audio and video magnetic tapes, head cleaners (all kinds) of audio and video cassette players and recorders and lubricants specially used in electronic goods.	<b>13</b>	<b>12</b>
16	Cement concrete mixture	<b>13</b>	<b>12</b>
17	Chunni of pulses	<b>2</b>	<b>1</b>
18	Fried gram	<b>2</b>	<b>1</b>
19	Cheese	<b>13</b>	<b>12</b>
20	Photo frames and photo mounts	<b>13</b>	<b>12</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
21	Coir products (other than coir rope, coir fibre and coir yarn) not falling under item below	<b>5</b>	<b>4</b>
22	Rubberised coir products	<b>13</b>	<b>12</b>
23	Copper circles, sheets and strips	<b>13</b>	<b>12</b>
24	Articles made of copper including copper rods, rounds, squares & flats excl. specified above and elsewhere	<b>13</b>	<b>12</b>
25	Cotton waste	<b>5</b>	<b>4</b>
26	Cotton yarn waste	<b>5</b>	<b>4</b>
27	Cotton beds, cotton pillows, cotton quilts and their covers made of cotton	<b>5</b>	<b>4</b>
28	Diesel engines, parts and accessories thereof	<b>13</b>	<b>12</b>
29	Druggets and durries	<b>13</b>	<b>12</b>
30	Edible oils other than coconut oil sold under brand name and the edible oils falling under Serial Number 42-A of the Fifth Schedule- Non-refined and Refined,	<b>5</b>	<b>4</b>
31	Electrical earthenware and porcelain.	<b>13</b>	<b>12</b>
32	Electrical goods, instruments, apparatus and appliances including fans, tube lights and parts and accessories.	<b>13</b>	<b>12</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
33	Electrical bulbs	<b>13</b>	<b>12</b>
34	Electrodes that is all kinds of welding electrodes, graphite incl. anodes, welding & soldering rods, soldering wires	<b>13</b>	<b>12</b>
35	Films – photographic films including photographic paper, cinematographic films, x-ray films	<b>9</b>	<b>8</b>
36	Fire fighting equipments and devices except those specified elsewhere	<b>13</b>	<b>12</b>
37	Garden and beach umbrellas and parts	<b>13</b>	<b>12</b>
38	Food & non-alcoholic drinks – articles of food and drinks including sweets and sweetmeats when sold in places other than star hotels	<b>13</b>	<b>12</b>
39	Food and non-alcoholic drinks-soya milk	<b>13</b>	<b>12</b>
40	Food and non-alcoholic drinks - meat and dressed chicken sold in sealed containers	<b>9</b>	<b>8</b>
41	Food preservatives, food colours and food flavouring essences	<b>13</b>	<b>12</b>
42	Footwear	<b>13</b>	<b>12</b>
43	Footwear polishers, shoe care kit, shoe laces	<b>13</b>	<b>12</b>
44	Galvanised Iron buckets	<b>9</b>	<b>8</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
45	Glycerine	<b>9</b>	<b>8</b>
46	Gold thread, that is, all kinds of jari including metallic yarn, metallic jari yarn, metallic plastic yarn, polyester film yarn and radiant yarn.	<b>5</b>	<b>4</b>
47	Gotta and nakki	<b>5</b>	<b>4</b>
48	Gramophones of every description including radio gramophones and parts and accessories thereof	<b>13</b>	<b>12</b>
49	Gramophones records, compact discs including gramophone needles	<b>13</b>	<b>12</b>
50	Hardware – Bolts, boltends, rivets, nuts, hinges, screws, screwhooks, screwings, screwstuddings, self-tapped screws, door closers, wheels, blocks, clamps, gunmetal fittings, curtain rods, venetian blinds, vertical blinds, emery cloth, emery powder, coated abrasives, grinding stones, locks & padlocks of all kinds, washers, springs, spring washers, panel pins, glass & steel wool, abrasives, nails, wirenails, made of base metals or alloys thereof	<b>13</b>	<b>12</b>
51	Hardware –Fittings of doors, windows and furniture made of base metal or alloy thereof other than those specified elsewhere	<b>13</b>	<b>12</b>
52	Hardware – Metallic barbed wire, wire-mesh, plaster meshes and metallic wire nettings	<b>13</b>	<b>12</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
53	Hardware – Paint brushes	<b>13</b>	<b>12</b>
54	Handicrafts made out of brass, bronze, copper & other metals, bidariware, hand made items (pottery, stone crafted, marble, wood, lamps). art works, dokra items, coconut shell, conch, shell, palm leaf, papiermache, screwpine, straw, wood carvings&figures, wood inlaid articles	<b>13</b>	<b>12</b>
55	Helmets	<b>9</b>	<b>8</b>
56	Hosiery (except hosiery cloth in lengths) of all kinds	<b>5</b>	<b>4</b>
57	Inks of all kinds	<b>13</b>	<b>12</b>
58	Jute-cum-polypropylene coverings	<b>13</b>	<b>12</b>
59	Dry fruits including almonds, walnuts and pista	<b>9</b>	<b>8</b>
60	Cummin seeds (jeera).	<b>5</b>	<b>4</b>
61	Lime including lime stone	<b>5</b>	<b>4</b>
62	Earthmovers, such as dumpers, dippers, bulldozers and the like.	<b>9</b>	<b>8</b>
63	Parts and accessories of earth movers (other than diesel engine parts, tyres, batteries, tubes & flaps)	<b>13</b>	<b>12</b>
64	Machineries (all kinds) & parts and accessories thereof except those	<b>13</b>	<b>12</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	falling under other items and specified elsewhere		
65	Sewing machines, its parts and accessories.	<b>13</b>	<b>12</b>
66	Tools and wear parts used in industrial machinery such as twist drills, taps, reamers, cutters, dies, grinding wheels, button bits, tungsten, carbide wear parts, ceramic industrial wear parts and the like.	<b>9</b>	<b>8</b>
67	Medicinal and pharmaceutical preparations	<b>13</b>	<b>12</b>
68	Mercury	<b>13</b>	<b>12</b>
69	Mosquito repellants, devices, parts & accessories	<b>13</b>	<b>12</b>
70	Non-ferrous castings and alloys thereof.	<b>9</b>	<b>8</b>
71	Optical goods – Spectacles, lenses & frames including parts and accessories thereof; sun glasses, goggles, lenses and frames including attachments, parts and accessories thereof.	<b>13</b>	<b>12</b>
72	Paper of all kinds including ammonia paper, blotting paper, carbon paper, cellophane, PVC coated paper, stencil paper, water proof paper, art boards, card boards, corrugated boards, duplex boards, pulp boards, straw boards,	<b>9</b>	<b>8</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	triplex boards and the like, but excluding photographic paper.		
73	Pens of all kinds including refills	<b>13</b>	<b>12</b>
74	Pipes tubes and fittings of iron (not falling under Fourth Schedule.) cement, stoneware and asbestos, cement grills, pitch fibre pipe	<b>13</b>	<b>12</b>
75	High-density polythene, low-density polythene, rigid polyvinyl chloride pipes and fittings but excluding conduit pipes and its fittings.	<b>5</b>	<b>4</b>
76	Pressure cookers, their parts and accessories.	<b>13</b>	<b>12</b>
77	Printed materials other than books meant for reading	<b>9</b>	<b>8</b>
78	Pumpsets with oil engines of more than 10 H.P.	<b>13</b>	<b>12</b>
79	Pumpsets with electric motors of more than 10 H.P.	<b>13</b>	<b>12</b>
80	Rail coaches and parts and accessories.	<b>13</b>	<b>12</b>
81	Rolling shutters and collapsible gates and parts – Manual, mechanical or electrical	<b>13</b>	<b>12</b>
82	Roofing, light roofing and false roofing materials including cement and asbestos sheets, hard & soft boards, plywoods, veneered boards & panels and laminated sheets but excluding those specified elsewhere	<b>13</b>	<b>12</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
83	Asphalt sheets	<b>13</b>	<b>12</b>
84	Rubber – Raw rubber namely, latex in liquid or sheet form	<b>13</b>	<b>12</b>
85	Rubber – Synthetic rubber including butadiene, acrylonitrile, styrene butadiene, butyl, synthetic rubber latex including pre-vulcanised synthetic rubber latex	<b>13</b>	<b>12</b>
86	Sanitary towels, sanitary napkins, beltless napkins and tampons, disposable diapers	<b>13</b>	<b>12</b>
87	Sewing thread	<b>5</b>	<b>4</b>
88	Soaps – Washing soaps including soap flakes, soap powders	<b>13</b>	<b>12</b>
89	Soaps – Detergent cakes, powders and liquids and laundry brighteners (stain busters, stain removers)	<b>13</b>	<b>12</b>
90	Sound transmitting equipments including loud speakers and parts thereof but excluding telephones and parts	<b>13</b>	<b>12</b>
91	Sports goods (indoor and outdoor) including body building equipments, trophies, medals, shields but excluding wearing apparels.	<b>5</b>	<b>4</b>
92	Stationery articles – Account books, paper envelopes, dairy, calenders,	<b>13</b>	<b>12</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	race cards, catalogue, greeting cards, invitation cards, hamour & picture post cards, special occasion cards, photo & stamp albums		
93	Stationery articles – Clip boards, clutch pencil, black lead, date stamps, dusters, index file clips, pokers, office files of all kinds, paper cutter, blackboard, blackboard dusters	<b>13</b>	<b>12</b>
94	Stationery articles – Office desk materials including punching, staplers machines	<b>13</b>	<b>12</b>
95	Stationery articles-Paper pins, pen stands, pencil lead, pencil sharpeners, permanent markers, refill leads, stamp racks, stapler pins, rulers of all kinds, gulli pens and pin studs	<b>13</b>	<b>12</b>
96	Steel door frames, steel doors, steel window frames, steel shutters	<b>13</b>	<b>12</b>
97	Stoves – Gas & Kerosene, barbecues, charcoal oven, tandoor stove, parts and accessories.	<b>13</b>	<b>12</b>
98	Surgical & dental instruments – Tools & aids (electrical & electronic equipments & appliances; syringes & needles, operation theatre equipments, surgical cotton wool, stethoscope, enema & bed pans, surgical gloves, abdominal belts, cervical collars, operating suits, dental chairs etc.	<b>13</b>	<b>12</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
99	Tabulating machines, calculating machines (including all types of mechanical or electronic calculators), duplicating machines, roneo machines, parts and accessories.	<b>13</b>	<b>12</b>
100	Tailoring materials namely- Needles, scissors, hooks, buttons, zips, buckles, measuring tape and stick, collars & collar bone, horn buttons, indent hooks / eyes, jean buttons, knitting pins, longstitch kit, M.S. coated button/stars, zip fastners, zippers, cuff links, crochet hooks	<b>13</b>	<b>12</b>
101	Tamarind seeds	<b>5</b>	<b>4</b>
102	Tanning barks	<b>13</b>	<b>12</b>
103	Textiles and fabrics but excluding such textiles and fabrics as are covered, described or specified elsewhere	<b>9</b>	<b>8</b>
104	Tiles - Roofing tiles other than country tiles.	<b>13</b>	<b>12</b>
105	Tools-Spanners, screw drivers, files, cutting pliers, hammers, clow hammer, hand forge and the like (manually operated)	<b>13</b>	<b>12</b>
106	Toys of all kinds (excluding electronic) and electrically operated toys.	<b>9</b>	<b>8</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
107	Typewriters other than Kannada typewriters, parts and accessories including typewriter ribbon.	<b>13</b>	<b>12</b>
108	Vaccum flasks and thermoware articles and their refills	<b>13</b>	<b>12</b>
109	Valves of all kinds other than those generally used as parts of motor vehicles	<b>13</b>	<b>12</b>
110	Water meters	<b>13</b>	<b>12</b>
111	Water storage tanks made of fibre glass, plastic or synthetic materials, water tanks made of aluminium	<b>13</b>	<b>12</b>
112	Weights and measures	<b>13</b>	<b>12</b>
113	Wood of all kinds including eucalyptus, casuarina, halwana, timber of any shape, form or size including door frames, window frames and shutters	<b>13</b>	<b>12</b>
114	Waxes (all kinds)	<b>13</b>	<b>12</b>
115	X-ray apparatus & equipments, medical imaging, diagnostic & therapeutic equipments	<b>13</b>	<b>12</b>
116	Yeast-Dry, wet and compressed	<b>9</b>	<b>8</b>
117	Zinc, lead and cadmium	<b>5</b>	<b>4</b>
118	Cardamom and Pepper.	<b>5</b>	<b>4</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
119	Confectionery, biscuits, cakes and other bakery products manufactured and sold by a dealer whose total turnover in a year is not more than fifteen lakh rupees.	<b>5</b>	<b>4</b>
120	Electrical & Electronic Instruments sold to educational institutions for use as teaching aid.	<b>5</b>	<b>4</b>
121	Imitation Jewellery.	<b>5</b>	<b>4</b>
122	Rubber tyres, tubes and flaps.	<b>9</b>	<b>8</b>
123	Safety matches.	<b>5</b>	<b>4</b>
124	Dry chillies	<b>2</b>	<b>1</b>
125	Unscheduled general goods	<b>13</b>	<b>12</b>

**B. SIXTH SCHEDULE:**

<b>Sl. No.</b>	<b>Name of the Works Contract</b>	<b>Existing rate of tax (%)</b>	<b>Proposed rate of tax (%)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Fabrication and installation of plant and machinery	<b>13</b>	<b>12</b>
2	Fabrication and erection of structural works, including fabrication, supply and erection of Iron trusses, purlines, etc..	<b>5</b>	<b>4</b>
3	Fabrication and installation of cranes and hoists.	<b>13</b>	<b>12</b>
4	Fabrication and installation of elevators (lifts) and escalators	<b>13</b>	<b>12</b>
5	Fabrication and installation of rolling shutters and collapsible gates	<b>13</b>	<b>12</b>
6	Civil works like construction of buildings, bridges, roads etc..	<b>13</b>	<b>12</b>
7	Installation of doors, door frames, windows, window frames and grills	<b>13</b>	<b>12</b>
8	(i) Supplying and fixing of Mosaic tiles	<b>13</b>	<b>12</b>
	(ii) Supplying and fixing of Marble slabs, polished granite stones and tiles (other than mosaic tiles).	<b>13</b>	<b>12</b>
	(iii) Supplying and fixing of slabs, stones and sheets other than	<b>5</b>	<b>4</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	those specified at items (i) and (ii) above		
9	Supplying and installation of air-conditioning equipments including deepfreezers, cold storage plants, humidification plants and de-humidifiers	<b>13</b>	<b>12</b>
10	Supplying and installation of air-conditioners and air coolers	<b>13</b>	<b>12</b>
11	Supplying and fitting of electrical goods, supply and installation of electrical equipments including transformers.	<b>13</b>	<b>12</b>
12	Supplying and fixing of furnitures and fixtures, partitions including contracts for interior decorations	<b>13</b>	<b>12</b>
13	Construction or railway coaches on under carriages supplied by Railways	<b>13</b>	<b>12</b>
14	Ship and boat building including construction of barges, ferries, tugs, trawlers and dredgers	<b>13</b>	<b>12</b>
15	Supplying and fixing of sanitary fittings for plumbing, for drainage and the like.	<b>13</b>	<b>12</b>
16.	Painting and polishing	<b>13</b>	<b>12</b>
17.	Construction, repair, improvement and overhauling of aircrafts and helicopters	<b>13</b>	<b>12</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
18.	Construction of bodies of motor vehicles and construction of trailers	<b>13</b>	<b>12</b>
19.	Insulation and lining of equipments, plant and machinery, instruments, appliances or buildings	<b>13</b>	<b>12</b>
20	Providing and laying of pipes (other than steel pipes) for purposes other than those specified in Sl. No. 15 of above	<b>13</b>	<b>12</b>
21.	Full service and maintenance of instruments, equipments, appliances or plant and machinery	<b>13</b>	<b>12</b>
22.	Fabrication, testing and reconditioning of metallic gas cylinders	<b>5</b>	<b>4</b>
23.	Tyre re-treading	<b>13</b>	<b>12</b>
24.	Processing and supplying of photographs, photoprints and photo negatives	<b>13</b>	<b>12</b>
25.	Supplying and installation of electronic instruments, equipments, apparatus, appliances and devices	<b>13</b>	<b>12</b>
26.	Supplying and installation of fire fighting equipments and devices	<b>13</b>	<b>12</b>
27.	Electroplating, electrogalvanising, anodizing and the like	<b>5</b>	<b>4</b>
28.	Bottling, canning and packing of goods	<b>5</b>	<b>4</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
29.	Lamination, rubberisation, coating, and similar processes	<b>13</b>	<b>12</b>
30.	Printing and block making	<b>13</b>	<b>12</b>
31	Supply and erection of weighing machines and weigh bridges	<b>13</b>	<b>12</b>
32.	Supply and installation of submersible and centrifugal pumpsets	<b>13</b>	<b>12</b>
33.	Dyeing and printing of Textiles	<b>13</b>	<b>12</b>
34.	Construction of tankers on motor vehicles	<b>13</b>	<b>12</b>
35.	Supply and fixing of door and window curtains including venetian blinds and nets	<b>13</b>	<b>12</b>
36.	(i) Manufacturing or processing and supplying of gold and silver articles not studded with precious or semi-precious stones	<b>5</b>	<b>1</b>
	(ii) Manufacturing or processing and supplying of gold and silver articles studded with precious and semi-precious stones	<b>5</b>	<b>1</b>
37.	Processing, printing and supplying of cinematographic films	<b>5</b>	<b>4</b>
38.	Acoustic insulation and other related works	<b>13</b>	<b>12</b>

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<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
39.	Supply and erection of cooling towers	<b>13</b>	<b>12</b>
40.	Supply and training out of stone ballasts	<b>13</b>	<b>12</b>
41.	Rewinding of electrical motors	<b>13</b>	<b>12</b>
42.	All other works contracts not specified in any of the above categories	<b>13</b>	<b>12</b>
43.	Composite contracts involving two or more of the above categories	<b>13</b>	<b>12</b>

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**ANNEXURE - III**

(Para 99 &amp; 103 )

**COMMODITIES PROPOSED FOR TAX EXEMPTION AND  
REDUCTION IN TAX RATE**

<b>Sl. No.</b>	<b>Name of the Commodity</b>	<b>Proposed tax rate</b>
1.	Vibhuthi.	Exempted
2.	Rakhi.	Exempted
3.	Hand Kerchief.	Exempted
4.	Raisins (dry grapes).	Exempted
5.	Kardi (kusubi) seeds purchased by oil ghanas with investment upto Rs. 3 lakhs.	Exempted
6.	Kirana Goods.	4%
7.	Plastic woven sacks and laminated woven sacks.	1%
8.	Tea (both branded and unbranded).	12%
9.	Hairpins, hair clips, hair bands and baby clips.	4%
10.	Band sets sold to schools.	4%
11.	Tamarind	1%
12.	Branded broom sticks.	8%
13.	Musical instruments.	12%

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<b>Sl. No.</b>	<b>Name of the Commodity</b>	<b>Proposed tax rate</b>
14.	Plastic goods.	12%
15.	Confectionery.	12%
16.	Mangalore roofing tiles and ridges.	1%
17.	Electronic toys.	12%
18.	Jewellery.	1%
19.	Copper rods when sold to manufacturers.	1%
20.	Rough granite stones sold against Form-37	4%

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**ANNEXURE – IV**

(Para 102)

**PROPOSED SIMPLIFICATION MEASURES**

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<b>Sl. No.</b>	<b>Nature of simplification measure</b>
1.	Permission for new dealers also with annual turnovers exceeding Rs. 50 lakh to use their own self-delivery notes for movement of goods.
2.	Permission for dealers to use self-delivery notes for movement of goods in situations other than as a result of sale within a revenue district.
3.	Extension of the benefit of issue of gold cards to small scale industrial units who pay tax of more than Rs.50 lakh per year, for expeditious clearance of their consignments at special counters provided at the check-posts.
4.	Recognition and felicitate honest tax payers.
5.	Fixing time limit for levy of various penalties.
6.	Fixing time limit for issue of registration applied for by the dealers.
7.	Fixing time limit for disposal of applications filed by dealers seeking rectification of mistakes.
8.	Provision for issue of clarifications on applications made by trade associations.
9.	Deletion of the condition of audited statement of account for self-assessment.
10.	Reduction of the composition amounts fixed in respect of first offences.

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**ANNEXURE – V**

(Para 104 )

**PROPOSED RATIONALISATION MEASURES**

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**Sl. No. Nature of rationalization measures/change**

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1. Retrospective provision for revision of orders of the Authority for Clarification and Advance Rulings by the Commissioner.
  2. Extension of the time limit for issue of orders by the Authority for Clarification and Advance Rulings to ninety days.
  3. Provision for levy of penalty for fraudulent movement of goods within the State by deliberately avoiding the check-posts.
  4. Fixing joint responsibility on both owner of the goods vehicle and transporter in cases of non-surrender of transit passes.
  5. Withdrawal of the remand powers and fix time for disposal of stay applications and issue of final orders in respect of first appellate authorities.
  6. Making payment of half the disputed tax as a pre-condition for admission of appeals by the Appellate Tribunal.
  7. Withdrawal of the provision relating to automatic stay of recovery of penalty levied in check-posts on furnishing of bank guarantee.
  8. Re-introduction of the provision to deduct tax at source in respect of works contracts executed for Government departments and others.
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**Sl. No. Nature of rationalization measures/change**

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9. Provision for withdrawal of charge sheets filed only with the permission of the Commissioner.
  10. Revision of the rate of interest on refunds from 12% to 6%.
  11. Amendment of the entry relating to stationery articles to include similar commodities, that are taxed as non-scheduled goods.
  12. Provision for registration and tax liability of contractors without any turnover limit.
  13. Restoration of the provision for separate registration to units of corporate bodies.
  14. Fixing time limit for provisional assessment by the officers of the intelligence wing and restrict the provisional assessment powers to officers equivalent to the assessing authority.
  15. Empowering the officers of the intelligence wing to levy penalty for misuse of tax concession granted under notification.
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**ANNEXURE - VI**

(Para 98 &amp; 105 )

**COMMODITIES PROPOSED FOR INCREASE IN TAX RATES**

<b>Sl. No.</b>	<b>Name of the Commodity</b>	<b>Existing rate of tax (%)</b>	<b>Proposed rate of tax (%)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1.	Hydrogenated oil and cooking medium (Vanaspathi)	<b>5</b>	<b>8</b>
2.	Cashew kernel	<b>5</b>	<b>8</b>
3.	Wheat products(atta, maida and soji)	<b>2</b>	<b>4</b>
4.	Cigarette filters	<b>13</b>	<b>16</b>
5.	Computer consumables	<b>5</b>	<b>8</b>
6.	Computer software(including works contract of programming and providing of computer software), hardware, peripherals and cleaning kits	<b>5</b>	<b>12</b>
7.	Deodorants, disinfectants, germicides not specified elsewhere in second schedule	<b>13</b>	<b>16</b>
8.	Dictaphones and similar sound recording apparatus and parts thereof	<b>13</b>	<b>16</b>
9.	Electronic diaries and parts and accessories thereof; DC Micromotors/Stepper motors of an output not exceeding 37.5 watts and	<b>5</b>	<b>12</b>

1	2	3	4
	parts thereof; electrical capacitors, fixed, variable or adjustable (Pre-set) and parts thereof; electrical resistors (including rheostats and potentiometers), other than heating resistors; printed circuits; electronic integrated circuits and Micro-assemblies; optical fibre cables; optical fibre and optical fibre bundles and cables; liquid crystal devices, flat panel display devices and parts thereof.; Electronic goods and electronic tools sold to registered dealers		
10.	Electronic goods and parts and accessories thereof excluding specified elsewhere in second schedule	<b>13</b>	<b>16</b>
11.	Fax machines and parts and accessories thereof	<b>13</b>	<b>16</b>
12.	Fibreglass sheets and articles made of fiberglass excluding helmets	<b>13</b>	<b>16</b>
13.	Kitchenware coated with heat resistant coatings for cooking as well as serving	<b>13</b>	<b>16</b>
14.	Kitchenware & utensils made of aluminum or other non-ferrous metals with stick resistant coatings	<b>13</b>	<b>16</b>
15.	Weighing machines(all kinds)	<b>13</b>	<b>16</b>
16.	Optical goods-Binoculars, opera glasses, telescopes, microscopes and parts and accessories thereof, lens care solution	<b>13</b>	<b>16</b>

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
17.	Playing cards of every description	<b>13</b>	<b>16</b>
18.	Scented supari	<b>13</b>	<b>16</b>
19.	Stainless steel articles (other than specified elsewhere in second schedule)	<b>13</b>	<b>16</b>
20.	Molasses	<b>25</b>	<b>28</b>
21.	Pan masala and tobacco products	<b>25</b>	<b>28</b>
22.	Opium, Ganja, Bhang and other Narcotics	<b>25</b>	<b>28</b>
23.	Cement	<b>15</b>	<b>20</b> <b>(without entry tax)</b>
24.	Diesel	<b>17.5</b>	<b>20</b>
25.	Unbranded coconut oil sold in small containers	<b>4</b>	<b>20</b>
26.	Non- PDS Kerosene	<b>16</b>	<b>20</b>

**ANNEXURE – VII**

(Para 105)

**COMMODITIES PROPOSED FOR LEVY OF CESS**

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<b>Sl.No.</b>	<b>Commodity</b>
1.	Bricks.
2.	Charcoal.
3.	Coir products other than rubberized coir products.
4.	Copper ingots and copper wire other than insulated wire.
5.	Forest products specified in Serial Number 10-A of Part 'F' of Second Schedule.
6.	Goods (excluding ores, lumps and fines) purchased or sold as industrial inputs and subject to tax under Section 5-A.
7.	Gypsum.
8.	Lime.
9.	Metal caps and metal lamp caps.
10.	Mill yarn (all kinds).
11.	Shahabad and Cuddapah stones, slabs and tiles.

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**ANNEXURE – VIII**

(Para 123)

**PROPOSED RATES OF LUXURY TAX ON  
HOTELS & LODGING HOUSES**

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<b>Sl.No.</b>	<b>Room rent per day</b>	<b>Proposed Luxury Tax</b>
1.	Above Rs.150. but less than Rs.400	4%
2.	Rs. 400 but less than Rs.1000	8%
3.	Rs. 1000 and above	12%

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**ANNEXURE - IX (Para 133)****Part A 5 - Existing (See Section 3 (1))**

Life Time Tax for Motor Cars, Jeeps, Omni Buses and Private Service Vehicles.

Item Number	Class of vehicles	Motor Cars, Jeeps, Omni Buses and Private Service Vehicles having floor area upto 5 Sq. Mts. cost of which does not exceed Rs. 10 lakhs	Motor Cars, Jeeps, Omni Buses and Private Service Vehicles having floor area upto 5 Sq. Mts. cost of which exceeds Rs. 10 lakhs
1	2	3	4
A	At the time of Registration of New Vehicles	9 percent of Cost of the Vehicle	10 percent of Cost of Vehicle
B	If the vehicle is already registered and its age from the month of Registration is :-	Percentage of the lifetime tax levied under Clause A	Percent of the lifetime tax levied under Clause A
I)	Not More than 2 Years	93%	93%
II)	More than 2 Years but not more than 3 Years	87%	87%
III)	More than 3 Years but not more than 4 Years	81%	81%
IV)	More than 4 Years but not more than 5 Years	75%	75%
V)	More than 5 Years but not more than 6 Years	69%	69%
VI)	More than 6 Years but not more than 7 Years	64%	64%
VII)	More than 7 Years but not more than 8 Years	59%	59%
VIII)	More than 8 Years but not more than 9 Years	54%	54%
IX)	More than 9 Years but not more than 10 Years	49%	49%
X)	More than 10 Years but not more than 11 Years	45%	45%
XI)	More than 11 Years but not more than 12 Years	41%	41%

1	2	3	4
XII)	More than 12 Years but not more than 13 Years	37%	37%
XIII)	More than 13 Years but not more than 14 Years	33%	33%
XIV)	More than 14 Years but not more than 15 Years	29%	29%
XV)	More than 15 Years	25%	25%

1. In respect of vehicles for which lifetime tax was due prior to the first Day of April 2003, but has not been paid, such tax shall be collected at the rates prevailing prior to such day along with the penalty due if any.
2. In case of Motor Cars, Omni Buses and Private service vehicles having floor area upto 5 Sq.mtrs registered in other States prior to the first day of April 2003 and migrated to the State of Karnataka after that day, tax shall be levied as per Part-A5 as existed prior to such day.
3. Purchase invoice for the purpose of levy of tax under this part shall be produced in respect of vehicles which are registered on or after first day of April 2003.

**Part A 5 - Proposed (See Section 3 (1))**

Proposed life time tax Motor cars, Jeeps, Omni Buses and Private Service Vehicles

Item Number	Class of vehicles	Motor Cars, Jeeps, Omni Buses and Private Service Vehicles having floor area upto 5 Sq. Mts. cost of which does not exceed Rs. 5 lakhs.	Motor Cars, Jeeps, Omni Buses and Private Service Vehicles having floor area upto 5 Sq. Mts. cost of which is above 5 lakhs and does not exceed Rs. 10 lakhs.	Motor Cars, Jeeps, Omni Buses and Private Service Vehicles having floor area upto 5 Sq. Mts. cost of which exceeds Rs. 10 lakhs
1	2	3	4	5
A	At the time of Registration of New Vehicles Vehicle	9 percent of Cost of the Vehicle	10 percent of Cost of Vehicle	12 percent of Cost of Vehicle
B	If the vehicle is already registered and its age from the month of Registration is :-	Percentage of the lifetime tax levied under Clause A	Percent of the lifetime tax levied under Clause A	Percent of the lifetime tax levied under Clause A
	I) Not More than 2 Years	93%	93%	93%
	II) More than 2 Years but not more than 3 Years	87%	87%	87%
	III) More than 3 Years but not more than 4 Years	81%	81%	81%
	IV) More than 4 Years but not more than 5 Years	75%	75%	75%
	V) More than 5 Years but not more than 6 Years	69%	69%	69%
	VI) More than 6 Years but not more than 7 Years	64%	64%	64%
	VII) More than 7 Years but not more than 8 Years	59%	59%	59%
	VIII) More than 8 Years but not more than 9 Years	54%	54%	54%
	IX) More than 9 Years but not more than 10 Years	49%	49%	49%
	X) More than 10 Years but not more than 11 Years	45%	45%	45%
	XI) More than 11 Years but not more than 12 Years	41%	41%	41%

1	2	3	4	5
XII) More than 12 Years but not more than 13 Years		37%	37%	37%
XIII) More than 13 Years but not more than 14 Years		33%	33%	33%
XIV) More than 14 Years but not more than 15 Years		29%	29%	29%
XV) More than 15 Years		25%	25%	25%

1. In respect of vehicles for which lifetime tax was due prior to the first Day of April 2003, but has not been paid, such tax shall be collected at the rates prevailing prior to such day along with the penalty due if any.
2. In case of Motor Cars, Omni Buses and Private service vehicles having floor area upto 5 Sq.mtrs registered in other States prior to the first day of April 2003 and migrated to the State of Karnataka after that day, tax shall be levied as per Part-A5 as existed prior to such day.
3. Purchase invoice for the purpose of levy of tax under this part shall be produced in respect of vehicles which are registered on or after first day of April 2003.
4. The rates specified in this part shall not apply to vehicles owned by Central Government employees or defence personnel.