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HIGHLIGHTS OF KARNATAKA BUDGET 2002-2003

PRINCIPAL FEATURES

Continuity with and consolidation of initiatives taken in previous two budgets.

Measures to generate employment in rural non-farm sector.

Strengthening of Panchayat Raj Institutions and local government.

Focus on agriculture, irrigation, health, education, infrastructure, and social justice with a view to enhance economic growth and employment generation.

Emphasis on prudent expenditure management and fiscal consolidation.

Key administrative reforms measures.

Annual plan outlay enhanced from Rs.7904 crore in 2001-02(Revised Estimates) to Rs.8611 crore in 2002-03.

FISCAL CONSOLIDATION

Shortfall Rs.1375 crores in current year's anticipated revenue has necessitated mid-course corrections.

Priority sector allocations have been protected.

Fiscal deficit of Rs.5151 crore for the revised estimates of the current year are close to the original estimates.

Medium Term Fiscal Plan to become a rolling document.

Departmental medium term plans for Education, Health, Medical Education, Water Supply, and Public Works to be placed before the Legislature.

Fiscal Responsibility Bill to be placed before the Legislature.

AGRICULTURE AND ALLIED SECTORS

Reforms in the structure of co-operative credit: in 15 districts of the state Apex Bank would lend directly to primary societies and farmers' Self Help Groups.

Abolition of Sales Tax on sprinklers and drip irrigation equipment.

Areca-nut to be included in market intervention scheme with Government of India assistance.

Pesticides residue testing laboratories to be set up at Bangalore, Bellary and Dharwad.

Raitha Samparka Kendras to become the hub for provision of extension services in agriculture and allied areas and to have links to Bhoomi, APMCs and Agriculture Universities.

“ Anganwadis, SHGs and farmers’ organisations to be involved in an intensive Horticulture training programme called Grama Thotagarike.

“ Animal disease diagnostic laboratories to be extended to taluka level in a phased manner.

“ Modernisation of fish production to be taken up under a Rs.9.78 crore NABARD assisted RIDF project.

“ Outlay of Rs.2790 crore for irrigation which is 32% of the State’s plan outlay.

“ 6 lakh acres to be brought under irrigation in 2002-03 through KBJNL & KNNL.

“ Dudhganga to commence soon. Karnataka to have right to utilise 4 TMCs of water.

“ 1350 water users’ co-operative societies have been registered so far and MoUs have been entered into with 220 societies.

“ On line e-tendering process pioneered by Irrigation department.

RURAL DEVELOPMENT, SOCIAL WELFARE AND EMPLOYMENT

“ Rural Development Advisory Board to be set up.

“ ANSSIRD to be a nodal agency for capacity building in local government institutions.

“ Water shed development activities and Navagrama programme to be brought included under Sampoorna Grameena Rozar Yojane (SGRY).

“ Action Plan and resource pooling for rural road maintenance to enable expenditure of Rs.1 crore per taluk on rural roads.

“ The Rural Development and Self Employment Training Institutes (RUDSETI) model be implemented widely.

“ 25,000 unemployed SC/ST youth to be trained in various vocational courses in 2002-03.

“ 172 SC/ST hostel buildings to be completed.

“ Special Court for trial of cases under Prevention of Atrocities Act, 1989.

“ Housing, Education and Minor Irrigation to receive special focus under the Tribal Sub Plan (TSP).

“ 140 hostels for backward class students to be taken up for construction in 2002-03.

“ 36 Morarji Desai Residential Schools to be taken up through the KREIS with a HUDCO loan of Rs.72 crore.

“ Allocation for Wakf institutions doubled to Rs.12 crore.

“ A Haj building to be constructed at a cost of Rs.3 crore.

“ Stree Shakti Programme has exceeded targets. Focus will be to further widen and deepen its reach.

- “ Comprehensive Housing Policy emphasising Housing for All to be announced.
- “ Restriction on purchase of agricultural land for housing purposes will be removed.
- “ 2 lakh houses to be built for weaker sections in 2002-03. SC/ST beneficiaries would get 1 lakh houses under various programmes.
- “ 50% of Rural Ashraya Houses to be allotted to SC/ST beneficiaries.
- “ Grama Panchayats to be actively involved in implementation of housing programmes.
- “ New programme to develop residential layouts in small towns with growth potential, called Chief Minister’s Model Town Housing Programme to be taken up by KHB in association with local bodies.
- “ Wide-ranging and multi-programme slum upgradation and development initiatives to be taken up by KSCB including the Nirmala Jyothi Yojane, the Nirmal Bharath Abhiyan and the Valmiki Ambedkar Awaas Yojane.

SERVICES: HEALTH, EDUCATION AND CIVIC AMENITIES

- “ Advisory Board on Nature Cure and Yoga to be set up.
- “ NACO will be approached to double the investment in the HIV/AIDS prevention programme.
- “ Rs.875 crore health project is proposed to the World Bank.
- “ Mid-day meal launched in 7 backward talukas. Rs.45 crore allocated for the year 2002-03.
- “ Comprehensive review of grant in aid system for educational institutions to be taken up.
- “ Bio-technology courses to be introduced in more government colleges.
- “ Science City to be set up in Dharwad. Rs.20 lakh allocated for this project.
- “ Jal Nirmal the World Bank aided Rural Water Supply and Sanitation Project has been launched and will be implemented in 11 northern districts of the state with an outlay of Rs.1035 crore.
- “ KUWS & DB to commission 25 water supply schemes in 2002-03.
- “ Comprehensive water policy to be framed.
- “ BDA to take up infrastructure works to the tune of Rs.150 crores in Bangalore City over the next 2 years.
- “ No transport vehicle older than 15 years would be allowed to ply within the metropolitan area of Bangalore.
- “ 2000 new buses would be inducted in to the fleet by the SRTCs.
- “ Computerisation of ration cards to be taken up in a major way.
- “ Food and kerosene coupons to be distributed in a wider manner.

INDUSTRY, COMMERCE AND INFRASTRUCTURE

- “ New Industrial Policy (2001-2006) in force. Measures being adopted to deregulate the business environment through appropriate legislation.

- “ State Textile Policy to be brought out soon.
- “ Cocoon markets to be computerised.
- “ Sugar Development Fund to be set up to assist ailing sugar factories.
- “ E-governance strategy to be announced. Rs.5 crore allocated.
- “ Rural initiatives in information and communication technologies to be intensified.
- “ Hardware Park to be established at Devanahalli.
- “ Bio-tech Park to be set up at Bangalore.
- “ Focus on more direct provision of critical infrastructure rather than grant of concessions and exemptions in order to attract industries.
- “ Hassan-Mangalore, Sholapur-Gadag gauge conversion, Kottur-Harihar, Bangalore-Kengeri, Kengeri-Ramanagaram Rail Projects to be taken up. Rs. 45 crore provided.
- “ Bangalore International Airport project work to commence by October, 2002. Rs.86.50 crore provided.
- “ Infrastructure cess on Excise Duty, Motor Vehicle Tax and Stamp Duty to continue for another 2 years. Cess on Sales Tax to be abolished and merged with the basic tax.
- “ Road maintenance to be taken up with private sector participation.
- “ Pilot project for improvement of roads in Mandya district with a total outlay of Rs.300 crore in 3 years. Rs.40 crore allocated for 2002-03.
- “ Rs.2339 crore power subsidy provided for 2002-03.
- “ 4 Electricity distribution companies to be formed with headquarters at Bangalore, Mangalore, Hubli and Gulbarga.
- “ Energy audit programme to be taken up after universal metering.
- “ 339 MW of generation capacity to be added to the grid in 2002-03.

LEGISLATORS AREA DEVELOPMENT FUND

- “ Allocation for each Legislator to be enhanced from Rs.25 lakhs to Rs.40 lakhs.

NATURE, ECOLOGY AND ENVIRONMENT

- “ Vana Vikasa Scheme to be extended.
- “ A State of the Environment Report for Karnataka will be prepared.
- “ A Lake Development Authority will be set up for Bangalore.

ADMINISTRATION AND REGULATION

- “ Rs.10 crore allocated for High Court Bench for Northern Karnataka.
- “ Rs.135 crore to be spent on Police modernisation.

- “ Bhoomi operationalised. 10 Bhoomi District Data Centres to be made functional in 2002-03.
- “ All Lambani Thandas to be recognised as revenue villages.
- “ Action to be initiated for relief and rehabilitation of all residents of Bagalkot city.
- “ Steps to be taken to eliminate fake stamp paper rackets by abolishing use of stamp papers.
- “ Pay Commission to be constituted every 10 years.
- “ VRS to be introduced for government departments.
- “ HRA to be revised from 1.4.2002.

HERITAGE, CULTURE & QUALITY OF LIFE

- “ High Power Committee set up to organise Golden Jubilee Celebrations of Karnataka.
- “ Gazetteers and archival documents to be digitised.
- “ A new programme called Parampare launched to encourage traditional artistes.
- “ Palace on Wheels to be introduced.
- “ Eco-tourism to be encouraged.
- “ Hampi World Heritage Area Management Authority to be constituted for integrated development and conservation of Hampi.
- “ A chair in the honour of Gangubai Hangal and the late K.H. Patil would be established.

Sales Tax

“ Rationalisation measures:

“ To equip the tax administration to move towards VAT, substantial rationalization of tax levy and its management is required. The TRC has also recommended this. In this regard, turnover tax and, entry tax on raw materials and packing materials, which the industry argue as restrictive taxes are proposed for abolition. On tax management side, self-assessment and abolition of many declaration forms are proposed. Details as below:

“ Abolition of turnover tax (Rs.840 crores) and cess (Rs.143 crores). In addition, abolition of entry tax on raw materials levied at 1% and packing materials.

“ Harmonisation of tax rates into 2%, 4%, 8%, 12% and 15% categories based on present effective rates (basic tax, cess, TOT and Entry Tax). Special rates of 1%, 20%, 25%. Commodities of common consumption, agricultural related commodities, raw materials and high value / high rate commodities vulnerable for trade diversion are left undisturbed. Tax on commodities which are basically raw materials are reduced to 4% and similar commodities grouped together (Revenue loss about Rs. 200 crores).

“ Introduction of collectable resale tax at 1.5% in lieu of non-collectable TOT at 1% on second / subsequent sales. This would train dealers to raise bills / charge tax while they prepare for multi-stage VAT. Revenue gain Rs. 50 Crores.

“ Net loss Rs. 150 Crores.

“ Abolition of forms/declarations:

- “ (i) Self printed form-37 declarations to be allowed to big dealers
 - “ (ii) Self delivery notes allowed to dealers above 50 lakhs turnover.
 - “ Abolition of form-32-B declarations.
 - “ Restoration of declaration based tax concession to industrial inputs. Exclusions on wood, bamboo and timber removed. Ores and other goods taxable at purchase point made eligible for tax concession.
 - “ Flat rate of 4% fixed for industrial inputs.
 - “ Restoration of stay powers to Appellate Tribunal and remand powers to Appellate Authorities.
 - “ Reduction of discretion in penalties including penalties at checkposts for technical omission.
 - “ Provision for submission of Form-37 declarations after finalisation of assessments.
 - “ Gold Card to dealers paying above Rs. 50 lakhs annually and Special treatment at checkposts.
 - “ Reintroduction of passbook facility to dealers.
 - “ Administrative measures - functional organization and strengthening of key wings in the department.
 - “ Collection of tax through Banks.
 - “ Abolition of registration provision for transporters.
 - “ Abolition of intermediate checkposts.
 - “ Reliefs:
 - “ Export Houses and EOUs given special facility.
 - “ Set-off facility to edible oil industry.
 - “ Abolition of multipoint tax on aerated waters.
 - “ Tax reduction on pulses, wheat husk and dust, SIM cards and Smart cards, aluminium ingots.
 - “ Tax exemption on certain medicinals used in treatment of AIDs, Epilepsy and Kidney transplant.
 - “ I.T.Products at low rates.
 - “ Caterers given facility of Composition scheme.
 - “ Restoration of levies:
 - “ Computer software.
- CENTRAL SALES TAX :**
- “ Notifications pursuant to proposed CST amendments to be issued cancelling waiver of C & D forms..
 - “ Tax reduction on interstate sale of plastic woven sacks, SIM cards and Smart cards.

LUXURY TAX :

- “ Retrospective listing of taxable imported electronic goods excluding IT products.

ENTERTAINMENT TAX:

- “ Levy of tax on new entertainments - amusement parks, theme parks, recreation parlours, etc.
- “ Revision of composition rates for video parlours.
- “ Tax on Multi-System Operators of satellite TV channels.
- “ Reliefs:
 - “ Increasing taxable admission rate from Rs.100 to Rs.250 for cultural events.
 - “ (i) Tax Exemptions to remake Kannada films during 1996-2002.
 - “ (ii) Remake Kannada films to have 25% tax relief during 2002-03.
 - “ Increase of collection on service charges from Rs.1 to Rs.1.5.
 - “ Reduction of entertainment tax from 80% to 70%.

AGRICULTURAL INCOME TAX:

- “ Removal of restriction in composition scheme.

BETTING TAX:

- “ Revision of composition rates of BTC from Rs.800 to Rs.840 lakhs and MRC from Rs.30 to Rs.31.5 lakhs and corresponding revision in tax rates.

ENTRY TAX:

- “ Abolition of tax on inputs and raw materials now taxed at 1% and not used in Tobacco and Liquor products and packing materials.
- “ Levy of tax on specified goods brought into the State under a new law.
- “ Tax revised to 5% on entry-taxed Petroleum Products.

Excise

- “ Earnest money deposit payable by the arrack contractors raised to one and half months' rental value. Contract shall be cancelled if bank guarantee is not given within prescribed time.
- “ Minimum off-take to be insisted from liquor shop licensees.
- “ Molasses shall be regulated by introducing new legislation.

Stamps and Registration

- “ Concession of registration fee extended to KIADB documents.
- “ Compulsory registration of sale-agreements & affixing of photographs to documents.

- “ Reduction of registration fee extended to family members relating to gift, settlement & release.
- “ Fee for filing of accounts and penalty for delay rationalized.
- “ Stamp duty on Joint Development Agreements is reduced to 2%.
- “ Comprehensive amendment of Karnataka Societies Registration Act 1960.

Transport

- “ Green Tax on non-transport vehicles more than 15 years old and transport vehicles more than 7 years old.
- “ Reciprocal Agreement with neighbouring states to grant tax exemption for tourist vehicles covered under special permits.

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Note : Some of the Documents are available in PDF format, to view them download Acrobat Reader