



BUDGET SPEECH FOR 1997-98

T. Sivadasa Menon

14th March 1997

Sir,

I rise to present the Budget for 1997-98.

1. This Budget assumes great significance for three reasons. Firstly, in the 50th year of our independence, it is our duty to critically analyse the growth path followed by us and to have a clear perspective about the paths to be followed in the future. Secondly, we celebrated in a modest fashion the 40th Anniversary of the birth of the State of Kerala. It will be forty years next month since the first elected Government came to power in the State. This is an occasion to evaluate our achievements and short falls of the last four decades. Thirdly, this year marks another new beginning as the Ninth Five Year Plan will take the country as well as the state into the 21st Century especially as we will be decentralising power in a big way. This is the time, not only to work out an overall perspective about the development path to be followed by us in the next five years, but also, well beyond the plan period. I do not intend to go into these matters in detail. But at the same time only wish to make certain observations which I hope are appropriate.

2. The struggle for freedom was aimed at liberating the country from slavery, exploitation and poverty, a life and death battle against the hated imperialist yoke. Pandit Jawaharlal Nehru had this to say about the freedom struggle. "The British will leave India, and their Indian empire will become a memory, but what will they leave when they have to go, what human degradation and accumulated sorrow? Tagore saw this picture as he lay dying three years ago. 'But what kind of India will they leave behind, what stark memory? When the stream of their centuries' administration runs dry at last, what a waste of mud and filth they will leave behind them'"

3. As Panditji and Tagore, had pointed out, the imperialist forces left behind only a waste land. It fell to the new rulers to rejuvenate our society and economy from the ills of imperialist exploitation. How far did they succeed in their efforts? How far have we come in the last half a Century? And where are we today? These, I feel, are the most pertinent questions we should ask ourselves. We have certainly made progress during the last few decades, in various sectors. Production increased manifold in the field of food grains and other agricultural products, of various raw materials, from steel, fertilizers, chemicals, pharmaceuticals to all kinds of industrial and manufactured products and

power from various sources, hydel, coal and nuclear and recently solar. There is progress in the field of education, health, other general services and infra-structure facilities as well. Per capita income of our people also increased. The India that is stepping into the Sixth decade of independence is not the India of the Fifties, nor the Seventies; nay, the contemporary India is not even the India of the Eighties. India is preparing itself to step into the 21st Century.

4. But we should realise that there is another side to this picture. The Human Development Report of the United Nations has ranked 174 countries in terms of growth indicators. India ranks 135th among all these countries. The World Bank in its 'World Development Report' has ranked 133 countries on the basis of their economic growth. Here India is ranked 110th. Only a few countries are below India. Isn't it shameful that even after fifty years of independence, we are a country with the largest number of poor, illiterate and unhealthy people in the world?

5. Why did this happen? During the days of the freedom struggle, a consensus emerged as regards the policy relating to path of development to be followed in post independent India. It was generally accepted that there will be State-led development planning with the objectives of growth and equity based on self-reliance, including a policy of land reforms. But land reforms, the most crucial element was virtually forgotten. Instead, a false hope was created that growth could be achieved through building capitalism in agriculture. I consider this to be the single most important reason for our failure in the field of development.

6. Debates are taking place all around on the policies to be adopted to rid the country of poverty, illiteracy and morbidity; and also on the policies to be followed to achieve rapid growth in the agricultural and industrial sectors. Many advocate that we follow the path of the "Asian Tigers". Simultaneously they say that India should emulate China. It is interesting to note that it is these very sections who were highly critical about China earlier; now they shower praise on that country and present it as a model for us. But they fail to see the basic reasons for the jump in the economic growth achieved by China. Comprehensive land reforms and increased capital investment in agriculture; concerted efforts to raise the quality of health and education which in turn act as a catalyst for rural development; these are the most basic reasons behind the rapid growth achieved by contemporary China. It is precisely because of this that, even according to the estimates of the World Bank, China is much ahead of India, in terms of per capita income. Both countries had taken the initial steps towards development at the same period. But today when China's per capita income is 530 dollars, India's per capita income remains 320 dollars.

7. I am sure that these issues will continue to be discussed thread bare when we celebrate the Golden Jubilee of our Independence. I also sincerely hope that this opportunity will be utilised to assess critically whether the growth path followed by us today is the appropriate path leading our country to the 21st century.

8. As I have mentioned earlier, this is an occasion for taking stock of the merits and demerits of the policies followed in Kerala during the last four decades. During the

last forty years, we have achieved commendable progress in various sectors. In literacy, health and education, which are the basic factors of human development, Kerala is not only way-ahead of other Indian States, but we have also emerged as a model for all the Third World countries. While literacy rate at the all India level is only 52.21 percent, we have achieved total literacy, While the life expectancy of an average Keralite is 79 years, it is only 59.4 years at the all India level. Infant Mortality Rate at the all India level is 74. But in Kerala it is only 13.

9. We are proud of these achievements. But should we be content with what we have achieved? Even though we have achieved tremendous progress in the service sector, we admittedly have not done in productive sectors, where we are well below the all India average. In 1994-95, while the average percapita income at the all India level was Rs.2449, for Kerala it was only Rs.2113. This shows that, in the case of Kerala there exists a gap of around 13 percent.

10. If we have failed to increase productivity in agriculture and allied sectors, we have also failed to produce more power and attract industry which have been the prime reasons for the economic backwardness of our State. Virtually in all our agricultural crops, our productivity is far below Indian or international standards. The traditional sector remain the mainstay of our industrial scene. In the power sector also, we are in the midst of a crisis, having been dependent only on hydel sources, neglecting others. There has been and there is still a false impression that, because of politico-social reasons, the situation in Kerala is not at all conducive for industrial investments. As a result of this, investors are reluctant to invest in Kerala. At the same time the Government certainly is not in a position to invest in industry in a big way. In this context, I believe, it is the urgent duty of all those interested in the development of Kerala, to discuss with an open mind, ways to tide over the contemporary development crisis of the State.

11. What I am going to say next is related to what has been elaborated above. As mentioned in the beginning, the Ninth Five Year Plan will be initiated this year. This is the right time to correct the lopsided policies of the past. This is also the right time to get onto a new path of sustained growth. Let us not weep over the lost years and decades. Our major task in the coming years, should be to strive for rapid sustainable economic growth.

12. The National Development Council has decided that the country should achieve a seven percent growth rate during the Ninth Five Year Plan period. If Kerala has to achieve a growth rate commensurate with that at the national level, the prevailing gap will have to be filled in by mobilising additional capital investment. Assuming an ICOR (Incremental Capital Output Ratio), of 4: 1, Kerala needs capital investment to the tune of Rs.47,000 crore, during the next Five Year Plan period. It may be in the following manner.

Source	Rs. (crore)
Central Investment	7,000

State Investment	10,000
Private Investment	30,000
Total	47,000

13. In addition, the State Government may have to spend an amount of Rs.5000 crore, as non capital investment, also in this period. It means that at 1996- 97 prices, Kerala's Ninth Plan size should be of the order of Rs.15,000 crore.

14. Before discussing the State Plan allocation, I would like to make certain observations regarding central investment. As is well known, Kerala's share in the total central public sector investment has been declining over the years. In 1975, our share in the total central public sector investment was 3.24 percent. But by 1994, it came down to 1.29 percent. Our experience has been that of total neglect with regard to the most important infra-structural facility, viz. the Railways. We have not been getting our due share from the All India Financial Institutions, and the Credit Deposit Ratio of Scheduled Banks in Kerala has been continuously declining. Unless these things change, we will not be able to achieve the development objectives targeted for the Ninth Five Year Plan. In this context, the Chief Minister of Kerala has requested the Prime Minister and Central Ministers to urgently consider the following issues:

- a) to approve projects aimed at the expansion of central public sector units in Kerala
- b) Kerala has been experiencing total neglect in the field of the most important infrastructural facility viz. the Railways. Urgent and immediate steps should be initiated to put an end to this neglect. In this context, the following steps will have to be taken:
 - i) Doubling those sections of the Mangalore-Kanyakumari Railway line, passing through Kerala.
 - ii) Electrification of Railway Lines.
 - iii) Construction of new railway lines.
 - iv) Urgent steps to make available good quality bogies.
 - v) Make more goods-trains available.

If these are to be effectively implemented, urgent steps should be taken to set up a West Coast Railway, with its headquarters in Kerala.

- c) At present, Kerala's share in the total credit disbursements from the All India Financial Institutions, works out to only 1.05 percent. The Government of India should take effective steps to increase the share of Kerala.

- d) The Credit Deposit Ratio of Scheduled Banks in Kerala has declined from 65.3 percent in 1989, to 44.4 percent in 1996. The Central Government should take urgent steps to increase this ratio, at least upto 60 percent.

15. I have already mentioned about the problems faced by us, as a result of the lopsided policies hitherto followed. It is the prime objective of the Government to rectify these problems during the Ninth Five Year Plan period. It is with this perspective in mind that the Government has decided on the general approach for the Five Year Plan, as well as the allocation for the first Annual Plan. Government feel that during the Ninth Plan period, development policies should be reoriented in the following manner

- a) Increased capital investment aimed at increasing productivity in agriculture and allied sectors
- b) Increase the pace of industrialisation, larger investment in building and improving infrastructure such as power, road, waterways, telecommunication, and such, which will attract more investment and create employment.
- c) Effective measures aimed at rejuvenating the existing industries, wherever feasible, and efforts aimed at attracting new investment, on a massive scale, into this sector.
- d) Efforts aimed at sustaining the achievements in education and health sectors, and also measures aimed at upgrading the quality of the services in these sectors and making them cost effective.
- e) Measures aimed at bringing women, who constitute a major section of our population, to the main stream of the development process.
- f) Measures aimed at 'putting an end to the unsustainable exploitation of natural resources.
- g) Serious efforts aimed to ameliorate the living conditions of the tribals and fishermen communities, who survive in certain poverty ridden pockets of the State.

16. The Government feel that, lack of people's participation in the formulation and implementation of projects, has been the major reason behind the lopsided development witnessed in Kerala during the last decades. If people's participation had been ensured in developmental activities, we feel, the intensity of various problems elaborated above, could have been, at least partially, avoided. With a view to avoid this in future and to democratise our developmental processes the Government have decided to initiate a campaign named 'Peoples Campaign' for the Ninth Plan with the active participation of the masses. As part of this, out of the total allocation, more than 35 percent has already been allocated for the projects to be formulated by the local bodies. The process of the three-tier Panchayats, Municipalities and Corporations, formulating their Plan documents within the purview of their financial allocation is in its final stages. The local bodies have already formulated around 1.5 lakh projects, taking into

consideration the felt needs of the people based on an officiation of local level problems and prospects. It is hoped that the local bodies will start implementing developmental activities based on these projects, by the month of May.

17. I am glad to note that the Planning Commission has complimented the Government of Kerala for giving prominence for decentralisation in the formulation and implementation of the Ninth Plan. The different stages of our People's Campaign, the Gramasabhas, the process of preparation of Plan documents by the Panchayat-Municipal Samities based on the development reports, integration of these plans at the block-district levels etc. have been mentioned as models of decentralised planning by the Planning Commission in its Approach Paper for the Ninth Plan. I am also happy to inform the House that, more than giving moral support to our Campaign, the Planning Commission has already given an amount of Rupees One Crore to the State Government, from their Budget allocation, for the conduct of the People's Campaign.

18. One should also consider, the impact of this planning process. It has been decided that the Plan allocation for the year 1997-98 will be Rs.2850 crore. This amount is 29.77 percent higher than the allocation during the preceding year.

19. The Government of Kerala had announced at the outset that, 35 to 40 percent of the Plan allocation will be set apart for the projects formulated and implemented by the local bodies. Accordingly, an amount of Rs.1025 crore has been allocated for these institutions. Of this, Rs. 749 crore will be Grants and Rs.276 crore, State Sponsored Schemes. On the whole, the local bodies will receive around 36 percent of the Plan funds. At the same time, we should understand that the amount of Rs. 749 crore transferred to the local bodies are not untied funds. The State Planning Board has already issued general guidelines on how this amount should be spent by the local bodies, at different tiers. Accordingly, the Grama Panchayats have been given the following guidelines for formulating their Plan.

Sectors	Percentage (%)
Productive Sectors	40-50
Social Service Sectors	30-40
Infrastructure Sectors	30-10

20. Likewise, Urban bodies and Block-District Panchayats also should make sectoral allocations. Even though a final picture based on the integration of local bodies' plans will emerge only by the month of June, the State Planning Board has, already with them, general indications regarding the sectoral allocation. Thus out of the total amount of Rs.1025 crore allocated 40 percent would be spent on productive sectors, 35 percent in service sectors and around 25 percent in infrastructure sectors.

21. Through this exercise, I hope, a small beginning can be made to rejuvenate our productive sectors, and I also feel that we will be able to correct the lopsided policies followed in different development sectors during the past four decades.

22. I believe this will become clear from what follows, about the different sectors. His Excellency, the Governor, has, in his Speech in this House, already given indications of the new programmes to be taken up next year and also the ongoing schemes. I do not wish to bore you by repeating them. Instead, I shall confine myself to certain important programmes which will be taken up by different departments.

23. During the last seven months, the Government has initiated a number of steps to rejuvenate the agriculture sector and free it from the stagnation it is facing today. These initiatives will be made more vibrant in the next year, with the active participation of the local bodies. A total amount of Rs.73.94 crore has been allocated for agriculture inclusive of State Plan and State Sponsored Schemes. Further, According to the estimates of the Planning Board, out of the total grant of Rs. 749 crore to the local bodies, around 20 percent, ie. around Rs.150 crore, will be utilised in this sector. That is, approximately around Rs.224 crore will be spent in the next year, in the agricultural sector. This increase should be viewed in the context of the total allocation of only Rs.92 crore in 1996-97. I Give below the major components of the State-State Sponsored Schemes in Agriculture sector.

Programmes	Allocation (Rs. crore)
Coconut development	1.00
Pepper Development	10.00
Vegetable farming	4.40
Fruits	1.60
Small scale mechanisation in agriculture sector	3.50
Horticulture Development programme	10.00
Agriculture Development Finance Company (to be formed)	5.00

The Government has decided to provide for electricity to farmers who own land below one hectare. Since there is no provision in the budget I am setting apart Rs. 10 crore for this purpose.

24. Two important departments which are active in the People's Campaign are the Animal Husbandry and Dairy Development Departments. Taking into consideration the importance of this sector in raising rural income, the departments have worked in the local bodies to ensure that the plans of the local bodies incorporate adequate allocation for this sector. In state-state sponsored schemes, animal husbandry has been allocated Rs.31.89 crore, and dairy development Rs.3.11 crore. Considering that the share of these sectors in the plans of the local bodies will be at least five percent, an equal amount will also be forthcoming to these sectors. The total allocation for the current year is below Rs.30 crore. An amount of Rs.9.39 crore has been allocated for the Special Livestock Development Programme, mentioned in the Governor's Address. The Training Centres at Mattupatty and Dhoni, under the Kerala Livestock Development Board, will be upgraded to international standards, with the help of the Swiss Development Corporation. An amount of Rs.2.50 crore has been allocated in the Budget for a Cattle Feed Factory at Kallettumkara.

25. Sustainable exploitation of marine fishery resources and socio-economic upliftment of the fishermen population surviving in the poverty ridden pockets of the state, are the main objective behind the policies followed by the Government in the marine fisheries sector. In the inland fisheries sector, the policy of the Government will be to increase inland fish production by exploiting the hitherto unexploited inland water areas, through sustainable methods and with participation of the people. To help the inland fishermen population and to improve their standard of living Government have formulated programmes for the next year. Schemes worth Rs. 40 crore have been envisaged for the next year. Out of this, schemes worth Rs.11 crore would be implemented through the local bodies. It is expected that an equal amount would be set apart in the local bodies' plans.

26. While taking various measures to protect the environment, the perspective of the Government is to make sure, the sustainable exploitation of forest resources. As part of this, the Government will continue to implement various state and Centrally Sponsored Schemes where ever possible, with local participation.

27. The allocation for irrigation and flood control is Rs.211.85 crore in the current year; for the next year it will be Rs.230.15 crore. Rupees 148 crore has been allocated for major-medium projects, and for minor irrigation the allocation is Rs.44 crore. Minor irrigation projects worth Rs.6 crore and, flood control measures worth Rs.8 crore will be implemented through the local bodies. Total allocation for drinking water will be Rs.142 crore. Out of this, projects worth Rs.32 crore will be implemented through the local bodies. Attempts will be made to complete those projects which are at an advanced stage of construction.

28. The Government gives very high prominence for the Power sector. Our commitment towards the power crisis is reflected in the increase in the investment in this sector. While the allocation for this sector was Rs.546 crore in 1996-97, it has been increased to Rs.640 crore in 1997-98. Over and above this, another Rs.100 crore has been included in the Non-plan budget as loan to the Electricity Board. It has been decided to

set up a Kerala Power Finance Corporation for mobilising financial resources for investment in the power sector.

29. I have indicated at the beginning that, for achieving an economic growth on par with our expectations, we need an investment of Rs.30,000 crore in the private sector, during the Ninth Plan Period. A major chunk of this investment should be in the industrial sector. The gravity of unemployment problem can be eased largely only through this. I hope by next year we would be able to make a beginning in this direction. A private group has come forward to start a Petrochemical complex at Kasaragod district with an investment of Rs.5200 crore. I feel this to be a forerunner of what promises to be a brighter industrial future.

30. This does not mean that our industrial policy, will be heavily dependent on private investment. We should strengthen our public sector. India's biggest companies are in the Public sector. Our "Nava Ratnas" including Indian Oil, ONGC etc. are getting ready to compete, even in the International market. This is a fitting reply to the campaign that public sector is totally in-efficient. A number of initiatives are being planned to equip our public sector units to compete in the market. I have set apart Rs.60 crore in the Budget for public sector revival. Allocations have been increased within the financial limitations for the traditional sectors and Khadi-Sericulture sectors.

31. The policy of the Government regarding the public sector units is very clear which I mentioned in my speech last year also. Let me assert here that the Government do not approve the financial indiscipline and inefficiency in most of our public sector units. According to the Bureau of Public Enterprises, audit of many companies are in arrears. In the case of four companies, audit has not been conducted since 1987-88. In three others, audit has been completed only up to 1988-89 and for some others, only up to 1989-90. I would like to remind these companies, which show great enthusiasm in bargaining for budgetary support from Government that, they have the responsibility to present to the Government and the people at least their audited accounts. Taking into consideration the seriousness of this issue, the Government will be appointing a Committee to report on the various dimensions of the problem. This Committee shall submit its report by June 30, 1997.

32. In spite of several years of their functioning and a good number of them making also sizeable profits, the state Public Sector Undertakings have not had the tradition of having R & D activities as part of their corporate strategy. The Government intend to prevail upon them to initiate necessary steps in this directions with necessary budget and manpower resources specially earmarked for the purpose. Details would be worked out in consultation with the Science & Technology Department.

33. I am happy to inform the House that the Kerala Financial Corporation has received category A, taking into consideration their total working results. At the all India level, only five other State Corporations have achieved this status.

34. Youth between 15-35 years of age, constitute 35 percent of our State's Population. For providing education, job-oriented training etc. to them, the existing programmes will be re-oriented. 'Keralotsavam', aimed at developing arts and sports talents of youths, is being conducted in a limited scale. For extending this, and also

transforming it into an important Youth Mela, an amount of Rs.1 crore has been allocated in the budget.

35. In order to encourage sports persons who bring laurels to the State and the Country, by participating in national-international events a new award scheme will be implemented in 1997-98. It will be at the rate of Rs.50,000 for a gold medal winner, Rs.30,000 for a silver medal winner and Rs.20,000 for a bronze medal at the National Games. For National Championships this will be at the rate of Rs.25,000 Rs.15,000 and Rs.10,000 respectively. I am allocating rupees five lakh for this purpose.

36. Earlier, the system followed was to allocate amounts for SC/ST Welfare, within the Budget of different departments, as a result the money could not be properly spent. This year change was made in this system and the allocations of different departments were pooled and integrated programmes implemented. Next year onwards, this system will be further improved. A total of Rs.347 crore has been allocated for programmes like Special Component Plan and Tribal Sub Plan. The division of this amount will be in the following manner.

	Rs. (crore)
State Schemes	93.05
State Sponsored Schemes	20.95
Local bodies	233.00
Total	347.00

Details regarding total allocation of the local bodies in this category, guidelines for spending this amount and such other details are provided in the Budget documents. A programme to encourage the students belonging to this category, who get first class in SSLC, Pre-degree-Plus Two examinations, will be implemented. I am increasing the boarding grant for students belonging to this category, who stay in subsidised hostels, from Rs.200 to Rs.250. For those students who have talents in sports, and those who pass fourth standard, will be selected for boarding in the sports hostels and, opportunities will be provided for them to develop their talents in sports. For all this, I am making an additional allocation of Rs.25 lakh in the Budget.

37. I have allocated a rightful share in the Budget for the art and culture organisations under the control of Government. We may get central assistance for setting up a Cultural Complex at Thiruvananthapuram. I am allocating Rs.10 lakh as the State share. For completing the development activities undertaken by the Thunchan Smaraka Samithi, last year, I am allocating an amount of Rs.10 lakh. A Kerala Cultural Festival will be conducted under the joint auspices of the different Academies on the banks of Bharathapuzha. This year onwards the best music talent will be given the 'Swathi Puraskaram'. As part of the golden jubilee celebrations of our independence it has been decided to reactivate the Sahitya Pravarthaka Sahakarana Sanghom. As part of this I set

apart an amount of rupees one crore to the Library Council for purchase of books published by the Sanghom for distribution among the Libraries. It has been decided to modernise the Government Press, Thiruvananthapuram. An amount of Rs.50 lakh has been set apart for purchase of DTP and other equipments.

38. Local level peoples' participation is a crucial element in improving the quality of school education and in the creation of infrastructure facilities for schools. That is precisely why this sector has gained predominance in our decentralised planning system. This sector has received an allocation of Rs.42.14 crore as part of the state-state sponsored schemes. Considering that at least five percent of the local bodies' schemes will be for this sector, about Rs.100 crore for raising the quality of school education. Activities aimed at timely revision of the syllabus at college level are in progress. In order to raise the budgetary allocation due to State Library Council to Rs.5 crore I set apart an additional amount of Rs.1.85 crore also. A corporation to mobilise resources from overseas keralites for the development of the state and also for the welfare of Non-Resident Keralites will formed in the current year.

39. Rupees 20 lakh have been allocated in the plan for setting up a training institute for the hearing impaired. As part of formulating a new social security programme for the marginal groups, an allocation of Rs. 53 lakh has been made. Under the Social Welfare Department, there are 18756 Anganvady teachers and an equal number of helpers who toil for a low honorarium. Their monthly wages are Rs.500 and Rs.300 respectively. This is being increased to Rs.600 and Rs.350 respectively. Anganvady teachers and helpers under the Rural Development Department also will be eligible for this increase. Moreover, the honorarium of convenors working under the Upgraded Special Nutrition Programme Centres will be increased from Rs.300 to 350. I am setting apart an additional amount of Rs.2.30 crore for the above purposes.

40. An amount of Rs.60 lakh has been allocated in the budget for organising self help groups in the co-operative sector under the Primary Agricultural Credit Co-operative Societies. An amount of Rs.5 lakh has been set apart for helping the conduct of developmental activities entrusted to these societies by the Panchayats.

41. The Government feel that the quality of local level health services can be improved through the decentralisation process. Therefore the local bodies have been asked to allocate their share for this sector, in their plans. Certain new programmes are being initiated this year at the department level. As part of this, for developing facilities in the Mental Hospitals as per the Mental Health Law, Rs. 40 lakh has been allocated. Steps will also be taken to develop the facilities in the important hospitals of the State, with the help of the financial institutions.

42. Government will take steps to modernise and expand the activities of the State Insurance Department. A committee will be formed to undertake this task. An amount of rupees five lakh is set apart for this purpose.

43. I am allocating Rs.30 lakh for the preparation of the Project Report of the Kasaragode-Thiruvananthapuram Express Highway, Studies conducted by experts show that, construction of Bitumen Mecedam road, using modern technologies, will have a longer useful life. On an experimental basis, 10 kilometres of this type of roads will be constructed in Thiruvananthapuram and ten kilometres on the Sabarimala route. I have

allocated an amount of Rs.1 crore additionally for this purpose, in the budget. Power saving technologies will be introduced in Government offices. For this, I am providing Rs.1 lakh.

44. For completing the remaining work of the Legislative complex, and also for building new flats for the Members of the Legislative Assembly, Rs.25.50 crore has been set apart in the Plan.

45. As part of the thrust for raising the quality of infrastructure facilities and industrial growth, the construction of industrial Ring Road is being contemplated. The concept is the construction of a Ring Road and industrial plots adjacent to it. The first project to be taken up around the Palakkad industrial belt with a length of 80 kilometres may cost approximately Rs.330 crore. Central assistance is envisaged for this project. I am providing an amount of rupees five crore for this project.

46. While Kerala has recorded remarkable progress in the social sectors, investment in infrastructure which is a pre-requisite for economic and industrial progress has not kept pace with these achievements. Without adequate investment in infrastructure, investment in public and private sectors will lag behind. Industrial growth, so crucial to combating the problems of unemployment, hinges on infrastructure development. Given the immediate need for massive investment in infrastructure, in the face of severe resources constraints, the Government shall target an amount of Rs.3500 crore for externally aided programmes during the Ninth Five Year Plan. Efforts are already on to contact various donor countries and agencies.

47. It has been a long standing complaint that the contractors' bills for works undertaken by the Public Works Department are not settled in time. The reason is that this department has undertaken too many works in the past without sufficient budget allocation. However since it is the responsibility of this Government to pay for work done and considering that the problem has become acute I allocated Rs.41 crore over and above the normal budget allocation, in the year 1996-97. Recent estimates available show that bills to the tune of Rs.189.03 crore are pending payment as on 31-12-1996. Out of this, Rs.51.53 crore relate to the period up to 31-3-96. A portion of these bills would have been paid in the first three months of 1997. For clearing the rest of the bills, I am allocating Rs.41 crore additionally in the Budget of 1997-98.

48. Allocation has been made in the budget for purchasing equipment to modernising the Motor Transport Department. I am setting apart Rupees twenty five lakh for conducting awareness campaigns among the public about Motor Vehicles laws. Necessary allocation has been made in the budget for KSRTC and Transport Finance Corporation. An allocation of Rs.35 lakh has been made in the budget for purchasing new boats for the Water Transport Department.

49. In recognition of the important role the tourism sector can play in the economic development of the State, I have increased the allocation for this sector to Rs.35 crore of which Rs.10 crore will be for the Bakel Project. The public sector unit Tourist (Resorts) Kerala Limited will take the initiative of setting up hotels with the participation of private hotel groups. Steps will be taken for the speedy implementation of Veli-Aakkulam Projects. Steps will be taken to set up new hotels, at Kumarakom and

Munnar. Modernisation of Mascot Hotel at Thiruvananthapuram and Bolgatty Palace at Kochi will also be taken up.

50. From the next financial year, rural development programmes will be implemented through the Panchayat Raj Institutions with active participation of the people. Orders have already been issued, transferring more powers to the Block Panchayats to undertake various developmental activities. Next year, under the Integrated Rural Development Programme, help will be extended to 38,000 families for finding self employment. 15,000 houses will be built for SC/ST population and weaker sections below the poverty line. An amount of Rs.636 lakh will be made available under a Centrally sponsored Scheme namely "Ganga Kalyan Yojana", aimed at agriculture development using ground water. Rs.45 crore has been allocated for implementing Jawahar Rozgar Yojana aimed at providing job opportunities for the poor and rural people. The 'Employment Assurance Scheme', aimed at providing 100 days of job for the rural unemployed has been extended to 60 blocks in 1996-97 itself. Next year, this scheme will be extended to all blocks with the support of the Government of India. A 'Sanitation Kerala' programme will be implemented with the support of the local bodies.

51. An amount of Rs.35 crore has been allocated in the Budget under the "Maithri Housing Scheme" of constructing houses for the poorer sections of the society. This amount will be fully spent through the local bodies. An amount of Rs.20 lakh has been allocated for undertaking maintenance work of houses, already constructed.

52. Even though the state's major revenue is from Sales Tax, the department does not do much for informing the trading and industrial community and also the general public about the changes in the rate structure. In order to overcome this drawback and also to create an awareness among the public on these matters, I set apart an amount of Rs.50 lakh for this purpose.

53. Of late the number of smokers has come down considerably. This is not the result of prohibition on smoking, but due to the anti-smoking awareness campaign. The Government do not believe that drinking habits can be put an end through prohibition. This can be attained only through awareness campaign against drinking, for abstinence from liquor. The Government intend to take up a massive campaign with this end in view. As beginning I set apart Rs.25 lakh for this purpose.

54. It is to make developmental activities more meaningful that the Government have allocated a considerable portion of the Ninth Plan allocation to the local bodies. But the local bodies cannot be strengthened only through this measure alone. Democratic process can be made meaningful only by making the local bodies financially sound. But unfortunately, we could not consider this issue seriously for a long time. The local bodies have certain share in various taxes collected by the Government. But we have not been able to provide them their due share either on a time bound or an equitable basis. It has been estimated that the Government has to pay an amount of Rs.150 crore to the local bodies on this account. Many panchayats are in serious financial crisis, because they have not received this money. For rectifying this, I am bringing forth the following measures:

- a) Rs.50 crore, which is one third of the total dues, will be distributed before this March 31st.

- b) An amount of Rs.50 crore will be set apart, to be distributed in 1997-98.
- c) Remaining amount will be distributed in the year 1998-99.
- d) Various measures will be undertaken to make sure that there will be no dues in future.

55. It has been stated in the Constitution that a Finance Commission should be set up to examine the financial status of the local bodies and to subsequently make necessary recommendations. The report of the commission set up by the erstwhile Government has been submitted to the Government, and has been already circulated in the House. The Commission has suggested changes in areas of professional tax, land tax and entertainment tax. Also, the commission has recommended changes in the share of local bodies in the various taxes collected by the Government. Steps will be undertaken to implement all what has been explained above.

56. Price rise has assumed dangerous proportions, all around the country. According to the data as on January 25, 1997 the Wholesale Price Index is 320.3. This is 7.7 percent higher when compared with the corresponding period, last year. The impact of the price rise is more on the poorer people. Inflation rate of primary food commodities including cereals during this period has been 17.4 percent. In the case of petroleum, electricity etc. it is 17.5 percent. The State Government cannot do much in this respect since the price rise is the fall out of the economic policies pursued at the national level. Still, the Government have tried their utmost to reduce the intensity of price rise, and to provide maximum relief to the people.

57. The decision of the Government of Kerala to bring down the price of ration rice at the rate of one rupee per kg. was a move in this direction. As a result, the offtake of ration rice increased considerably. In 1996 May, 1,01,818 tonnes of rice was sold through the ration shops. But by December, it went upto 1,40,978 tonnes. Simultaneously, the Government also took steps to strengthen Maveli Stores, by distributing essential commodities at subsidised prices. As a result of this, sale through the Maveli Stores has also increased considerably. Sales in Maveli Stores, which was Rs.2190 lakh in June-December 1995 rose to Rs.4112 lakh in June-December 1996. Total sales through Onam Markets and Co-operative markets which was Rs.328 lakh in 1995 increased to Rs. 754 lakh in 1996. As a result of all this, the Government have been able to reduce intensity of price rise, atleast on a limited scale.

58. But the Government cannot be, and is not, satisfied with this. Beyond, Government are planning to take two important steps to strengthen the Public Distribution System. The first is to strengthen the market intervention measures through the Civil Supplies Corporation. As against an allocation of Rs.15 crore in 1996-97, I wish to allocate Rs.50 crore, during 1997-98. The second is the intervention through programme in the co-operative sector to distribute essential commodities through the 1000 strong network of primary agricultural credit co-operative societies and co-operative consumer federations which we will call Neethi Store. I am allocating an amount of Rs.13.34 crore for this programme.

59. When this Government assumed charge, 12 instalments of agriculture Workers' pension from 1-4-95 to 31-3-96 was in arrears. This Government have cleared

the arrears completely. I shall also be moving a Supplementary Demand for Grant for Rs.7 crore for distributing pension for the first three months of 1996-97 before March 31. The remaining nine instalments of this year will be paid before Onam. The pension for 1997 -98 will also be distributed. I would also like to make an increase in the Agriculture Workers' pension. From 1-4-1997 onwards, the amount will be increased from Rs.80 to Rs.100/-. In order to make sure that the increased pension amounts and pending instalments are distributed prior to March 31, 1998 I am setting apart an additional amount of Rs.25 crore in the budget.

60. Unemployment allowance for six months is being distributed. Even after that it will be in arrears since May 1996. Out of this, allowance for four months will be distributed before July 1997. By Onam, all instalments till 1997 March 31st will be disbursed. The unemployment allowance will be increased to Rs. 80 per month from April 1st 1997. It shall be ensured that, by the end of March 1998 there shall be no arrears of unemployment allowance. For this, over and above Rs.41 crore which has been already allocated, I am setting apart an additional amount of Rs.7 crore in this year's budget.

61. Handloom Workers' pension will be enhanced from the present rate of Rs.75 p.m. to Rs.100 p.m. An amount of Rs.15 lakh required for this will be sanctioned to Handloom Workers' Welfare Fund Board. A pension scheme benefiting more than ten thousand Mahila Pradhan Agents will be formulated and implemented during this year itself. A welfare scheme for the benefit of Bullock Cart Labourers will be formulated. The War Veterans who took part in the Second World War will be sanctioned a monthly pension of Rs.200. It has been decided to sanction a monthly pension of Rs.100 to all the Traditional Cigar Manufacturing Workers over sixty years from 1-4-'97. An amount of Rs.10 lakh has been set apart for this purpose.

62. Only one instalment of DA declared by the Centre, viz. the one from 1-7-'96, is in arrears to the State Government employees. This instalment will be distributed this month, ie. along with the salary for the month of March to be drawn in April 1997. It is after a long time in recent history that there are no arrears in dearness allowance. Once the Pay Revision Committee submits its report, action will be taken for pay revision. An amount of Rs.441.25 crore has been allocated in the budget, the likely DA that would fall due shortly as also the pay revision commitments. An amount of Rs.29.5 crore was allocated during the current year for housing vehicle loans to employees. This will be enhanced to Rs.45 crore in the next year. The Government is contemplating the formulation of a loan scheme for helping the class IV employees to meet the marriage expenses of their female children. I set apart an amount of Rs.2 crore for this purpose in the budget.

Sir,

63. While I was presenting the Alteration Memorandum it was expected that the year 1996-97 would end with deficit of Rs.50.93 crore. But as per the Revised Estimate 1996-'97 it is now expected the year would end with a surplus of Rs.83.15 crore reckoning the additional share of central taxes expected to be received during this year.

64. This is inspite of the fact that Government have taken up the following additional liabilities:

	Rs. in crore	
Ration Subsidy: Actual expenditure	73.00	
Budgeted	60.00	13.00
To local self-Governments	50.00	
Anti-sea erosion works	8.00	
Interest payments	26.00	
Pension and other payments	148.00	
Payment to KSEB on account of the subsidies for agriculture and industries	25.00	
Total	270.00	

65. I am presenting the Budget for 1997-98 having a Revenue Receipt of Rs. 7553.36 crore and Revenue Expenditure of Rs.8795.67 crore. There would be a overall deficit of Rs.214.50 crore. Reckoning the carry over surplus of Rs.83.15 crore the cumulative deficit will be Rs.106.43 crore including the additional share of central taxes amounting to Rs.24.92 crore over the amount included in the Budget. Moreover, I have declared additional expenditure also in this Speech. When we add this, the total deficit would go up. I shall explain later how much and in what way we can reduce this.

66. In connection with this, I desire to point out certain issues regarding devolution of funds. As the Honourable Members are already aware, a major chunk of the Revenue of the State is the Share of Central Taxes. This was 19.10 percent of the total revenue income during 1995-96. As per Revised Estimate for 1996-97 this would be 18.82 percent and as per 1997-98 budget this would be 18.93 percent. The share from income tax, excise duty etc. constitutes the major portion of this. The Central Government shares 77.5% of income tax and 47.5% of excise duty with the States. At the same time the States have no share on the more important tax, viz. Corporate Tax.

67. It has been a long standing demand of the State Governments that this structure has to be changed. The 3rd, 4th and 6th Finance Commissions have accepted this in principle. But the 6th Finance Commission recommended that this issue be discussed at the National Development Council since that forum is the ultimate authority to take such a decision. But all the former Central Governments have neglected this demand of the State and the recommendations of the Finance Commissions.

68. But now the situation is changing. The 10th Finance Commission has recommended that 29% of the total tax revenue of Central Government has to be shared with the states. The just convened National Development Council discussed this matter. The Central Finance Minister has stated that the decision of the NDC is being agreed upon. It is expected that a constitutional amendment will be brought about for this purpose.

69. Our Honourable Chief Minister has aired our views in this regard in the NDC meeting and various other fora. The State Government's views are the following:

- a. The total divisible pool of 29% is too meagre and has to be increased up to 50%
- b. The 29% comprises two components - one relates to the share received in lieu of the Sales Tax on Sugar, Tobacco and Textiles. On this account 3% has been set apart as the share of the States. The second part, relates to the 26% share of all other taxes. We believe that this is not justifiable. If we examine the accounts from 1979-80 it can be seen that the States have received more than what has been mentioned above in many years. Therefore, this has to be re-examined.
- c. It has been decided that the system will be reviewed only after 15 years. This is injustice. Each Finance Commission should be asked to review this matter. Even though we may benefit in the short run, there are possibilities that we may loose out in the long run. While the Constitutional amendment is tabled in the Parliament, we should make sure that changes favourable to us are made in the amendment.

Sir,

70. Now I am proposing the additional resource mobilisation measures. I am trying to contain the deficit noted above through rationalisation of taxes and increasing non-tax revenue. I have, for this purpose, selected items which do not affect the common man. These are given below;

71. As part of simplification of the Motor Vehicles' Tax, I propose the following changes:

- a) At present, for vehicles including motor cycles, tax is fixed taking into consideration their weight. This system will be changed, and a system of tax, based on cubic capacity will be introduced.
- b) For motor cycles and three-tyre privately owned vehicles specified in the serial number one and two of the Motor Vehicles Tax Act, a system of remitting one time tax, will be introduced. The details are shown in the Annexure 1. Those who pay the one time tax will not be liable to pay any additional tax as a result of rate revision later.
- c) For vehicles like cars, there is a system for remitting tax for 5, 10, or 15 years. But when rates are increased periodically vehicle owners are liable to pay the additional tax. It has come to notice that this creates a lot of difficulties to the vehicle owners. So it is proposed to abolish this system and a provision will be made to exempt those vehicle owners who remit the tax in advance from periodical increases.
- d) Buses owned by educational institutions, ambulance, tractors, road rollers, excavators, vehicles owned by driving schools etc, have not been specified in the schedules and their rates are not mentioned. These categories of vehicles will henceforth be specifically included in the tables and rates specified. (Shown in the Annexure II).
- (e) As per section 25 (a), (c), (d) and (e) of the Motor Vehicle Tax Act, surcharge, and additional surcharge are being realised in addition to tax. This is creating lot

of difficulties in fixing tax. Therefore surcharge and additional surcharge will be merged with the basic tax. The amount thus arrived at will be rounded to the next multiple of Rs.10 if it is below Rs.1000 and will be rounded to the next multiples of Rs.100 if it is above Rs.1000. Details are given as Annexure III.

- (f) As per the 2nd proviso of section 4 of the Act the limit of tax will be refixed as Rs.1500.
- (g) Due to the remittance of one time tax for the motor vehicles and tricycles the periodical hike will not be applicable to them. So, it is proposed to abolish the existing system of giving rebate to such vehicle.
- (h) At present the rate of tax for omnibuses, having not more than ten seats, which are used for private purpose, is Rs.125 per seat. Since this rate is very high in comparison with other States, there is a tendency to register vehicles in neighbouring states. In order to discourage the practice it is proposed to reduce the tax of such vehicles to Rs.70 per seat upto ten seats including that of driver.
- (i) As a result of these reforms additional tax may have to be levied on certain categories of vehicles. This hike will be collected only at the time of the next due date of payment of taxes. Additional tax as per section 12 will not be made applicable in these cases.
- (j) At present, as per section 88 (9) of Central Taxation Act, tax for three months is levied on other state registration vehicles entering Kerala on short term visits. As a result of this very few vehicles are coming to our State. In order to increase revenue by attracting more tourists, it is proposed to levy short term tax from these vehicles taking into consideration duration of their stay. If the duration of stay is for seven days or less the tax payable shall be one tenth of the quarterly tax and if the stay exceeds seven days but is within 30 days the rate shall be one third of the quarterly tax.

72. The absence of timely reforms in the taxation Acts and Rules, results in considerable erosion of non tax revenue of the state. In order to rectify this a detailed study is called for. Government plans to appoint an Expert Committee to study this matter. The Committee shall submit its report before 31-12-'97

73. Now I propose to raise additional non-tax revenue from certain sectors which require timely reforms and those which will not affect common man. The areas selected are disposal of unserviceable articles, increase in the levy of audit fees, change in the fees of minor minerals, licence fees for issue of contractors' licence/fees etc.

- a) At present unserviceable vehicles, equipments, articles, timber etc. are sold in public auction. This practice causes heavy loss to Government. In order to avert the losses, it is proposed to introduce the system of inviting sealed quotations along with the existing practice of sale through public auction. Besides, immediate action will be initiated for disposal of condemned and unserviceable articles dumped in the godowns of various departments. As a result of this, I expect additional revenue of Rs.5 crore.

- b) I propose to revise the audit fee payable to the Government, various rates of minor minerals and the fees for registration and renewal of contractors. The existing and the proposed rates are shown in the Annexures IV; V and VI. As a result of these Rs. 7 crore of additional resources are expected.

Speedy disposal of pending cases of under valuation

74. A large number of undervaluation cases as reported by the Sub Registrars are pending disposal in various offices of Registration Department. About ten lakh such cases were pending disposal from 1-1-1986 to 31-12-1995. It is proposed to take following compounding measures for the speedy disposal of these cases.

- i) Under the new compounding scheme the documents involved in undervalued cases stand completely discharged on additional payment of 30% of the Stamp Duty on the already levied stamp duty without realising any additional registration fee.
- ii) This compounding scheme will be granted only for one time and the same is applicable only to the cases pending from 1-1-1986 to 31-12-1995.
- iii) Cases where undervaluation have been finally disposed of and the cases referred for revenue recovery proceedings for the recovery of deficiency of stamp duty will also be brought under this scheme.
- iv) After disposal of the case, the Sub Registrar is authorised to record on the documents the fact that the case has been settled under the I Compounding scheme and that the deficiency amount of 30% towards stamp duty has been collected.
- v) The Compounding Scheme will be available only for a period of six months from the date of issue of Government Orders.

Rs.75 lakh is set apart for necessary action and publicity.

It is anticipated that an additional amount to the tune of Rs.50 crore could be mobilised through this scheme.

Stamp duty and Registration fees

75. As stated earlier, there is a growing tendency to undervalue the documents for evading Stamp Duty. In 1988 the Government had made an attempt for solving this problem by fixing minimum value. But we could not proceed further in this regard. Steps taken in the year 1993 for fixing fair value also did not progress in the right direction. Doubts were raised from various quarters about the feasibility of the Scheme. So, with a view to protect the revenue of the State and to clear the anomalies an Expert Committee will be appointed to conduct a scientific study in the matter. For taking effective steps in under valuation cases, the activities of the registration department will be streamlined.

76. It is expected that additional amount of Rs.15 crore could be mobilised, as a result of the streamlining of the registration department.

Sales Tax

77. This Government has been implementing a development oriented tax policy aimed at rapid growth of the economy by ensuring industrial growth and increased employment opportunities. A Committee headed by the Chief Secretary has already gone into the report of Justice Radhakrishna Menon Commission on tax reforms. The Centre for Taxation Studies has also conducted study on the rationalisation of the sales tax rates with reference to the rates of tax in the neighbouring states. On the basis of such reports and studies and also in the context of the policy being pursued by the Government, I propose to rationalise the rate structure, streamline administration make the tax laws simple and transparent and to improve tax collection. The details of rationalisation of rates are given in Annexure VII.

Administrative measures

78. It is important that complex legal procedures should be simplified. Efforts should also be made to prevent loss of tax. Also tax collection should be intensified. If this has to be achieved, the effective and satisfactory functioning of the Sale Tax department should be ensured. For this a number of administrative and legal measures will be taken.

Two Point Tax

79. It is proposed to shift the items included in the Sixth Schedule and subjected to value added tax to the Fifth Schedule and to subject to double point tax. While leaving double point tax, the dealer effecting the last sale will be taxed irrespective of his turnover and if the goods are disposed of by him in any manner other than by way of sale, the tax payable at the last sale point shall be provided to be recovered from such dealer on the purchase value. The revised fifth schedule is given as Annexure VIII.

Disposal of tax arrears

80. An amount of Rs.580 crore is pending as arrears of sales tax as on 31-1-1997. It is proposed to realise these arrears which are pending under different stages of recovery through an intensive collection campaign by giving certain reliefs on interest. Individuals and institutions who are willing to payoff the arrears of Sales Tax on or before 31-10-1997 are proposed to be allowed interest relief as follows:

i) For demand outstanding prior to 31-3-1987	:	50% of the maximum interest payable under section 23(3)
ii) For demands created from 1-4-1987 to 31-3-1992	:	25% - do
iii) For demands created from 1-4-1992 to 31-3-1995	:	10% - do -

However, the maximum interest payable in such cases will be limited to 100% of the principal (tax demand) .

It is expected that Rs.60 crore can be collected through this measure.

Speedy recovery of arrears

81. The arrears pending under revenue recovery proceedings under sales tax and Agricultural Income Tax would come to Rs.280 crore and Rs.15 crore respectively as on 31-1-1997. As per the existing provisions there is inordinate delay in realising the arrears. The proposal contained in the 1995-96 Budget Speech that for speedy and effective recovery a separate wing will be started in the Agricultural Income tax and Sales tax Department could not be implemented. It is proposed to vest the Inspecting Assistant Commissioners of Sales tax with powers under the Revenue Recovery Act with a view to avoid delay in recovery proceedings and to reduce the arrears due to the State Exchequer. Necessary legislative changes will be incorporated in the Sales Tax Act for this purpose. As a result of effective realisation it is expected that Rs.50 crore can be recovered.

82. The lower limit of rent for levying Luxury Tax on hotels is proposed to be raised from Rs. 40 to Rs.75.

83. It is proposed to revise the rate of Luxury Tax on air-conditioned rooms the daily rent for which is above Rs.500 per day from 10% to 15%.

84. I propose to reduce the annual license fee payable under the Kerala Money Lenders Act from Rs.10,000 to Rs.5,000/-

85. In order to compensate the large scale leaking of revenue on account of buying building materials like Iron and steel, granite slab, air-conditioner and also sodium silicate from outside the State under the guise of own use for selling, it is proposed to introduce entry tax on these items. The rate of entry tax will be the same as the rates of sales tax applicable to these items within the State.

86. The rate of entry tax on motor vehicle is proposed to be reduced from 12% to 10%

87. Entry tax of 1% is proposed to be levied on all kinds of textiles. An additional revenue of Rs.10 crore is expected.

88. Sand is being exported from Kerala to other states taking benefit of the exemption granted on river sand. Apart from creating severe ecological problems this is likely to affect even the strength of many of the major bridges in the State. In order to control this, it is proposed to introduce tax @ 4% on sand. River sand sold within the State will continue to be exempted from tax.

89. I am proposing the following concessions under Sales Tax.

- (a) In order to help ginger cultivators in the State, green ginger is proposed to be exempted from tax. Tax on dried ginger will however, continue. Loss of Revenue of Rs.2 crore is expected.
- (b) In order to help the traditional fishermen, it is proposed to exempt outboard motor engines upto 15 H.P from tax. Loss of Revenue of Rs.25 lakh is anticipated.
- (c) Inter-state sales of Bamboo mats is proposed to be completely exempted from tax. Loss of revenue of Rs.25 lakh is anticipated.

- (d) It is proposed to exempt Bell metal products manufactured by co-operative institutions within the state from Sales Tax. Loss of revenue of Rs.10 lakh is anticipated.
- (e) It is proposed to include palm climber and coconut dehuskers in the list of Agricultural Implements and to exempt them from sales tax. Loss of revenue of Rs.20 lakh is anticipated.
- (f) I propose to reduce the rate of tax on household utensils made of stainless steel from 12.5% to 4%. A loss of Rs.50 lakh is anticipated.
- (g) It is proposed to reduce the rate of tax on more energy efficient compact fluorescent lamps from 10% to 2%. The loss will be set off by increasing sales.
- (h) In the context of the acute power shortage faced , by the State, it is proposed to extend the concessional rate of 1% to diesel generator sets assembled within the State for a period of three years from 1-4-1997.
- (i) In order to help the industrial units consuming furnace oil, it is proposed to reduce the rate of tax on furnace oil sold to Industrial units for industrial purposes from 12.5% to 10%.
- (j) The newsprint factories in Kerala are facing a crisis on account of the import liberalisation policy followed by the Central Government. So, it is proposed to reduce the rate of tax on newsprint from 5% to 2%. This rate will be made applicable to inter-state sales also.
- (k) I propose to extend the concessional rate of tax of 4% on biscuits and confectionary manufactured by small scale industrial units for a period of one year from 1-4-1997.
- (l) It is proposed to exempt Central Sales Tax for the inter-state sale of rubber on which purchase tax has already been paid within the State.
- (m) It is proposed to exempt coffee processors who produce coffee powder within the State out of tax suffered coffee and sell it under unregistered brand name. This exemption will be given retrospective effect from 1-1-94. Tax already paid shall not be refunded.
- (n) The rate of tax on rubberised coir foam manufactured by co-operative institutions within the State is proposed to be reduced from 4% to 2%
- (o) It is proposed to reduce the rate of tax on cranes and spare parts from 10% to 3% on par with excavators etc. The rate of tax on spare parts of excavators, bulldozers and earthmoving machinery will also be reduced to 3%. An additional revenue of Rs.2 crore is anticipated on account of increase in sales.
- (p) It is proposed to reduce the tax payable by Banks or the Minerals and Metals Corporation of India on bullion sold to registered dealers in the State for the manufacture of jewellery for export from 1% to 0.5%. But the exemption now available on the sale of bullion by Banks to such registered dealers will be withdrawn. No change in revenue is anticipated.

90. The additional resource mobilisation measures and the concessions will result in a net –additional revenue of Rs.225. 70 crore. As a result the final picture would be as follows:

		(Rupees in crore)
	Revised Estimates 1996-97	Budget Estimates 1997 -98
Revenue Receipts	6465.25	7553.36
Revenue Expenditure	7472.31	8795.67
Deficit	(-)1007.06	(-)1242.31
Capital Receipts	1532.99	1984.54
Capital Expenditure	1456.44	1525.03
Surplus	(+) 76.55	(+) 459.51
Public Account (Net)	(+)507.31	(+)568.30
Overall Deficit	(-)423.20	(-)214.50
Carry over Surplus	(+)481.40	(+)83.15
Cumulative Surplus/Deficit	(+)58.20	(-)131.35
Variation in receipts on account of share of Central Taxes (Net)	24.95	24.92
Net yield from A.R.M. (1997-98 Measures)		225.70
Expenditure on additional measures announced		211.84
Surplus/Deficit (Net)	(+)83.15	(-)92.57

91. I am leaving the above deficit uncovered. I am sure that through economy measures and better management this deficit can be covered.

I am also presenting the vote on account for expenditure for four months from 1st April to 31st July 1997.

Thank you.

**ANNEXURE I
ONE TIME TAX**

Motor cycles (including motor scooters and cycles with attachment for propelling the same by mechanical power) and three wheelers (including tri-cycles and cycle Rikshaws with attachments for propelling the same by mechanical power) not used for transport of goods or passengers.

Sl. No	Item Number	Bi-cycles not exceeding 75 cc and tri cycles and cycle rikshaws (in Rs.)	Bi-cycles exceeding 75 cc with or without side car or drawing a trailer and three wheelers (in Rs.)
A.	At the time of registration of new vehicles	1800	2400
B.	If the vehicle is already registered and its age from the month of registration is-		
1.	Not more than one year.	1800	2400
2.	More than one year but not more than two years	1680	2240
3.	More than Two years but not more than three years.	1560	2080
4.	More than three years but not more than four years	1440	1920
5.	More than four years but not more than five years	1320	1760
6.	More than five years but not more than six years	1200	1600
7.	More than six years but not more than seven years	1080	1440
8.	More than seven years but not more than eight years	960	1280
9.	More than eight years but not more than nine years	840	1120
10.	More than nine years but not more than ten years	720	960
11.	More than ten years but not more than eleven years	600	800
12.	More than eleven years but not more than twelve years	480	640
13.	More than twelve years but not more than thirteen years	360	480
14.	More than thirteen years but not more than fourteen years	240	320

ANNEXURE II

	Category of Vehicles	Tri months tax rate (Rs.)
1.	Educational institution bus	
	(a) Vehicles with 20 or more seats including that of the driver	500
	(b) Vehicles with more than 20 seats	1000
2.	Ambulance	500
3.	Road Roller	100
4.	Excavator	250
5.	Vehicles exclusively used for teaching driving	
	(a) Light motor vehicles excluding motor car	500
	(b) Heavy goods/passenger vehicle	1500
	(c) medium goods/passenger vehicles	1000

ANNEXURE – III

Sl. No.	Class of Vehicle	Rate of Quarterly Tax						
		Rate of quarterly tax	Surcharge Section 25(a)	25(c)	25(d)	25(e)	Total Tax+S.C	Amount when rounded to the next ten Rs. or next hundred Rs. as the case may be
		1	2	3	4	5	6	7
	1. Motor Cycles (including motor scooters and Cycles with attachment for propelling the same by mechanical power)							
a)	Bi-Cycles not exceeding 75CC	22	10%	--	5%	10%	28	30
b)	Bi-Cycles exceeding 75CC with or without side Car or drawing a trailer	30	10%	--	5%	10%	38	40
	2. Three wheelers (including tri-cycles and Cycle Rikshaws with attachment for propelling the same by mechanical power) not used for transport of goods or passengers.							
a)	Tri-Cycle/Cycle Rikshaws	18	10%	--	5%	10%	23	30
b)	Three wheelers	30	10%	--	5%	10%	38	40
	3. Goods Carriages							
a)	i) Motor Cycle trucks not exceeding 300 kg in laden weight. Petrol Driven	88	10%	-	5%	10%	110	120
	ii) Do (Diesel Driven)	88	10%	10%	5%	10%	119	120
b)	Vehicles not exceeding 1000 kg in laden weight							
	Petrol Driven	143	10%	-	5	10%	179	180
	Do Diesel Driven	143	10%	10%	5%	10%	193	200
c)	Vehicles exceeding 1000 kg but not exceeding 1500 kg in laden weight							
	P.D	275	10%	-	5%	10%	344	350
	D.D	275	10%	10%	5%	10%	371	380
d)	Do" 1500kg ..2000kg P.D	363	10%	-	5%	10%	454	460
	D.D	363	10%	10%	10%	5%	490	500
e)	Do" 2000kg .. 3000kg P.D	473	10%	-	5%	10%	591	600
	.. " D.D	473	10%	10%	5%	10%	639	640
f)	Do" 3000kg 4000kg ..	561	10%	10%	5%	10%	757	760

		1	2	3	4	5	6	7
a)	Not more than Two passengers P.D.	40	10%	..	5%	10%	50	60.00
	Not more than Two passengers D.D.	40	10%	10%	5%	10%	54	60.00
b)	Three passengers P.D	90	10%	-	5%	10%	113	120
	Three passengers D.D	90	10%	10%	5%	10%	122	130
c)	More than 3 passengers, but not more than 6 passengers except for tourist motor Cabs							
	P.D	190	10%	..	5%	10%	238	240
	D.D.	190	10%	10%	5%	10%	257	260
d)	More than 6 passengers but not more than 12 passenger							
	P.D	200	10%	..	5%	10%	250	260
	D.D.	200	10%	10%	5%	10%	270	280
e)	Vehicles permitted to operate within the State							
i)	More than 12 passengers but not more than 20 passengers, for every passengers	350	10%	10%	5%	10%	473	480
ii)	Do 20 passengers, for every passenger	500	10%	10%	5%	10%	675	680
f.	Vehicles operating inter- state							
	More than 12 passengers, for every passenger	1000	10%	10%	5%	10%	1350	1400
ii.	Tourist Motor Cars P.D	250	10%	..	5%	10%	313	320
	Tourist Motor Cars D.D	250	10%	10%	5%	10%	338	340
iii.	Vehicles permitted to ply solely as Stage carriages							
a)	Ordinary services - for every seated passenger (other than driver and conductor) which the vehicle is permitted to carry	300	10%	10%	..	10%	390	400
b)	Fast Passenger and Express Services for every seated passenger other than driver and conductor which the vehicle is permitted to carry	350	10%	10%	-	10%	455	460
c)	For every standing passenger the vehicle (whether ordinary, Fast passenger or Express service) is permitted to carry.	100	10%	10%	-	10%	130	140
d)	For every standing passenger the vehicle with only city/town point(whether ordinary, Fast passenger or Express service) is permitted to carry	75	10%	10%	-	10%	98	100
5 (a)	Motor vehicles not themselves constructed to carry any load (other than water, fuel,							

	accumulators and other equipments) used for the haulage solely and weighing.							
i)	Not more than 1000kg in unladen weight	40	10%	10%	5%	10%	54	60
ii)	More than 1000kg but not more than 2000kg in unladen weight	80	10%	10%	5%	10%	108	110
iii)	" 2000kg " 4000kg	150	10%	10%	5%	10%	203	210
iv)	" 4000kg " 6000 kg	230	10%	10%	5%	10%	311	320
v)	" 6000kg " 8000kg	340	10%	10%	5%	10%	459	460
vi)	" 8000kg " 9000kg	380	10%	10%	5%	10%	513	520
vii)	More than 9000 kg in ULW Rs.520+ 20.00 for every 250kg or part thereof in excess of 9000kg							
B.	Double-axle trailers drawn by the vehicles in sub-clause (a) above and articulated vehicles with or without additional or alternative trailers, for each trailer or articulated vehicle, subject 10 the proviso of this schedule:-							
i)	Not exceeding 1000kg in laden weight							
	P.D	99	10%	-	5%	10%	124	130
	D.D	99	10%	10%	5%	10%	134	140
II)	Exceeding 1000kg but not exceeding 1500 kg in laden weight							
	P.D	165	10%	-	5%	10%	206	210
	D.D	165	10%	10%	5%	10%	223	230
iii)	" 1500 kg " 2000kg							
	" PD	231	10%	-	5%	10%	289	290
	" D.D	231	10%	10%	5%	10%	312	320
iv)	" 2000kg " 3000kg							
	P.D	308	10%	-	5%	10%	385	390
	D.D	308	10%	10%	5%	10%	416	420
v)	"3000kg " 4000 kg	418	10%	10%	5%	10%	564	570
vi)	" 4000kg " 5500 kg	539	10%	10%	5%	10%	728	730
vii)	"5500kg " 7000kg	660	10	10	5	10	891	900
viii)	"7000kg " 9000kg	803	10%	10%	5%	10%	1084	1100
ix)	"9000kg " 9500kg	847	10%	10%	5%	10%	1143	1200
X)	"9500kg " 10500kg	913	10%	10%	5%	10%	1233	1300
xij)	"10500kg " 12000kg	1025	10%	10%	5%	10%	1384	1400
xii)	"12000 "13000kg	1089	10%	10%	5%	10%	1470	1500
xiii)	"13000 " 14000 kg	1155	10%	10%	5%	10%	1559	1600
xiv)	"14000kg " 15000kg	1243	10%	10%	5%	10%	1678	1700
xv)	Above 15000kg Rs.1700+ Rs.100/- for every 250kg or past thereof in excess of 15000kg							

		1	2	3	4	5	6	7
6.	i) Fire Engine. Fire tenders, road water sprinklers, Cranes and earth moving vehicles such as dumpers, Bulldozers etc.							
a)	Not exceeding 1000kg in laden weight							
	Petrol	20	10%	-	5%	10%	25	30
	Diesel	20	10%	10%	5%	10%	27	30
b)	Exceeding 1000kg but not exceeding 1500 kg in L.W							
	Petrol	30	10%	-	5%	10%	38	40
	Diesel	30	10%	10%	5%	10%	41	50
c)	1500kg" 2275 P.D	50	10%	-	5%	10%	63	70
	D.D	50	10%	10%	5%	10%	68	70
d)	2275 " 3050 P.D	60	10%	..	5%	10%	75	80
	D. D	60	10%	10%	5%	10%	81	90
e)	3050 " 4300	70	10%	10%	5%	10%	95	100
f)	4300 " 5575	80	10%	10%	5%	10%	108	110
g)	5575 " 7600	90	10%	10%	5%	10%	122	130
h)	7600 " 9000kg	110	10%	10%	5%	10%	149	150
i)	Exceeding 9000kg Rs.150 + Rs.20.00 for every 1000kg or part thereof in excess of 9000kg	110	10%	10%	5%	10%	149	150
ii)	Additional tax payable in respect of such vehicles for drawing Trailers including fire engine & trailer pumps							
a)	For each trailer exceeding 1000 kg in laden weight							
	P.D	20	10%	-	5%	10%	25	30
	D.D	20	10%	10%	5%	10%	27	30
b)	"1000 kg but not exceeding 1500kg in L.W P.D	30	10%	-	5%	10%	38	40
	D.D	30	10%	10%	5%	10%	41	50
c)	"1500kg " 2250kg P.D	40	10%	-	5%	10%	50	60
	D.D	40	10%	10%	5%	10%	54	60
	" 2250 "	50	10%	10%	5%	10%	63	70
6A	Motor Cars							
a)	Weighing not more than 750kg unladen	150	10%	--	10%	5%	188	200
b)	Weighing more than 750kg but not more than 1500kg unladen	200	10%	-	10%	5%	250	260
c)	Do 1500kg unladen	250	10%	-	10%	5%	313	320
d)	Tax payable in respect of trailers drawn by any of the vehicles specified in (a) to (c) above and used solely for carrying luggage or personal							

	effects.	1	2	3	4	5	6	7
i)	For each trailer not exceeding 1000kg in laden weight							
	P.D	20	10%	-	5%	10%	25	30
	D.D	20	10%	10%	5%	10%	27	30
ii)	Do exceeding 1000kg							
	P.D	30	10%	--	5%	10%	38	40
	D.D	30	10%	10%	5%	10%	41	50
7.	Motor vehicle other than those liable to tax under the foregoing provisions of this schedule							
a)	Weighing not more than 750kg unladen fitted with							
	P.Engine	60	10%	-	5%	10%	75	80
	D.Engine	60	10%	10%	5%	10%	81	90
b)	Weighing more than 750kg but not more than 1500kg fitted with							
	petrol engine	70	10%	-	5%	10%	88	90
	Diesel	70	10%	10%	5%	10%	95	100
c)	Weighing more than 1500kg but not more than 2250kg unladen fitted with							
	Petrol Engine	90	10%	-	5%	10%	113	120
	Diesel Engine	90	10%	10%	5%	10%	122	130
d)	Weighing more than 2250kg							
	Petrol Engine	110	10%	-	5%	10%	138	140
	Diesel Engine	110	10%	10%	5%	10%	148	150
e)	Break down vans used for taking disabled vehicles	80	10%	10%	5%	10%	108	110

PROVIDED THAT:-

- 1) In case of trailers coming under clauses 3 and 5 of the schedule, when used alternatively, one at a time, with goods vehicles, tractors or articulated vehicles, as the case may be, tax shall be levied only on the heaviest trailer:
- 2) In the case of Motor vehicle in respect of which permit has not been issued under the Motor Vehicles Act but which has been used for transport of passengers for hire or reward, tax shall be levied at such rate as is specified for similar motor vehicles, in clause 4 of this schedule, as if permit has been issued for the vehicle;
- 3) In respect of trailers coming under clause 6 of this schedule, two or more vehicles shall not be chargeable in respect of the same trailer;
- 4) Tax for the last one month and two months of a quarter shall be 1/3 and 2/3 of the quarterly tax respectively, rounded off to the nearest rupee as laid down in section 27;
- 4) (A) The tax in respect of a motor vehicle which is registered in the State as new, or brought from the outside of the State, after the first day of April 1985 and in respect of which tax has to be paid annually in pursuance of the second provision to sub section (1) of section (4), the annual tax

payable for the first year shall be at the rate of 1/12th of the annual tax for each calendar month or part thereof from the date of such registration;

- 5) The rates of tax in respect of vehicles other than those fitted with pneumatic tyres shall be 150% of the rates specified in this schedule for similar vehicles;
- 6) Whereas a Stage carriage is permitted to operate on special or temporary permit as a Contract carriage a tax at the rate of Rs.250/- (Rupees Two hundred and fifty only) per day shall be levied in respect of such vehicles having a seating capacity exceeding forty and at the rate of Rs.150/- (Rupees One hundred and fifty only) per day in respect of such vehicles having a seating capacity not exceeding forty.

ANNEXURE - IV AUDIT FEES

Existing

Proposed

fees as per Sub Rule (4) of Rule 65 of the Kerala Co-operative Societies Rules 1969

Thirty paise for every one hundred rupees or part thereof on the working capital, value of sales or gross income as the case may be, upto rupees one lakh and forty paise between one lakh and five lakh and paise twenty for amount exceeding rupees five lakh. The maximum audit fee is limited to Rs.5000.

Seventy paise for every hundred rupees or part thereof on the working capital, value of sales or gross income as the case may be upto rupees one lakh and ninety paise upto Rupees ten lakh, and paise fifty for every hundred rupees or part thereof, exceeding rupees ten lakh. The maximum audit fees is limited to Rs.15,000

ANNEXURE - V The Kerala Minor & Mineral Conversion Rules 1967

		Existing	Proposed
a)	Application fees for grant of quarrying lease/renewal of lease		
	i) Dimension store	Rs.5000/-	Rs.10,000/-
	ii) Others	Rs. 500/-	Rs.1,000/-
b)	Renewal of Dealer's Licence:		
	i) Fees for stocking upto 500 tonnes a year Existing Proposed	Rs.1,000/-	Rs.2,000/-
	ii) For stocking upto 1000 tonnes a year	Rs.1,500/-	Rs.3,000/-
	iii) For stocking upto 2000 tonnes a year	Rs.2,000/-	Rs.4,000/-
	iv) For stocking upto 4000 tonnes a year	Rs.3,000/-	Rs.6,000/-
	v) For stocking above 4000 tonnes a year	Rs.3,000+ 100 for every hundred tonnes or part of it exceeding 4000 tonnes	Rs.6,000+200 for every hundred tonnes or part of it exceeding 4000 tonnes

c)	Royalty Rates		
i)	Granite Dimension stones	Rs.2000/- per cubic meter	Rs.4000 per Cubic meter
ii)	Stones and Laterites included under Sub Rule (ii)Rule 8A	Rs.8 per tonne or Rs.20 per M ³	Rs.16 per tonne or Rs.40 per M ³
iii)	Articles specified in item (2) of Schedule I	Rs.10 per 1000 piece or Rs.5 per tonne or RS.10 per cubic meter	Rs.20 per 1000 piece or Rs.10 per tonne or Rs.20 per M ³
iv)	Articles specified in item (1) of Schedule I	Rs.25 per tonne	Rs.50 per tonne
d)	Dead Rent		
i)	Kankar, Limestone and Lime shell	Rs.2000 per hectre per year	Rs.4000 per hectre per year
ii)	All other minerals except dimension stones stipulated in item (3) below	Rs.1600 per hectre per year	Rs.3200 per hectre per year
iii)	Dimension stones as specified in classification in rule 8 A (sub item.(1)	Rs.30000 per hectre per year	Rs.60000 per hectre per year
	Appeal fees under Rule 49:	Rs.200/-	Rs.500/-

ANNEXURE - VI
CONTRACTORS FEES

a.	Registration		
i)	Class A	Rs.1000	Rs.2000
ii)	Class B	Rs.500	Rs.1000
iii)	Class C	Rs.300	Rs.600
iv)	Class D	RS.100	Rs.200
b.	Renewal		
i)	Class A	Rs.100	Rs.1000
ii)	Class B	Rs.75	RS.500
iii)	Class C	Rs.50	RS.300
iv)	Class D	Rs.25	RS.100

ANNEXURE VII

Sl.No. in the schedule	Description of goods	Present rate (percent)	Proposed rate (percent)
1	2	3	4
First Schedule			
13	Batteries other than dry cells	20	15
16	Binoculars. telescopes magnifying glasses and opera glasses	20	15
*25.	Cement including white cement white cement Cement	20 12.5	12.5
26A.	Chewing gum	20	15
27.	<i>Entry Proposed to be deleted</i>		
28.	Cinematographic equipments including cameras for use these with	20	10
*41.	Copper sulphate, pesticides fungicides, insecticides and plant protection chemicals	5	4
64.	<i>Entry proposed to be deleted</i>		
65a.	Hollow cement bricks	8	4
86.	Motor vehicles	15	10
89.	Nylon fishing net Nylon fishing net twine	5	4
91.	Packing cases by Government in this behalf (with explanation)	5	4
77 (ii)	Pick and carry crane, truck mounted articulated crains, their components and spare parts, excavators, bulldozers, earth moving machines, components and spare parts of	10	3
*99.	Pile carpet, tufted woolen carpets, jute carpet and bonded fibre fabrics other than those made of coir	20	15
*100.	Stoneware pipe also to be included		
118.	<i>Entry proposed to be deleted</i>		
120.	Sound transmitting equipments including telephones, loudspeaker, dicta phones, gramophones and similar accessories thereof	20	12.5
122.	Spices not falling under any other entry in this schedule	8	4
128.	Tapes and cassettes for electronic equipments	5	6
131.	Television sets film resisters	5	6
132.	Telecommunication apparatus .. in this schedule	20	12.5

1	2	3	4
139.	Tabulating machines parts and accessories thereof	20	12.5
141.	Entry proposed to be deleted		
*151.	<i>All kinds of flours, cereals, pulses and their mixtures, whether packed in air tight containers or not</i>	5	4
152.	<i>Entry proposed to be deleted</i>		
153.	Wireless reception instruments and apparatus spare parts and accessories thereof	20	12.5
156.	All other goods of the schedule	8	10
Third Schedule			
	<i>Entry 43 A is proposed to be deleted</i>		
Fourth Schedule			
14.	Supply and installation electrical <i>switches</i> , fuses etc.	5	10
19.	Civil works like construction of building, bridges, roads etc.	6	8
22.	Other contracts number 1 to 21 above	6	10

* *Proposed to be amended*

ANNEXURE VIII
FIFTH SCHEDULE (REVISED)

Goods in respect, of which tax is leviable on two points under sub-section (1) or sub-section (2) of section 5

Sl. No	Description of goods	First point of levy	Rate of tax(per cent)	Second point of levy	Rate of tax (per cent)	Where there are no two points sale in the state	Rate of tax (per cent)
1	2	3	4	5	6	7	8
1.	Foamed rubber sheets, cushions and pillows and other articles of foamed rubber	At the point of first sale in the State by a dealer who is liable to tax under section 5 to a registered dealer for sale	8	At the point of last sale in the State by a dealer who is liable to tax under section 5	2	At the point of first sale in the State by a dealer who is liable to tax under section 5 to a person other than a registered dealer or to a registered dealer other than for sale	10
2.	Laminated sheets and expanded polystyrene of all kinds and mica	- do -	10	-do -	2.5	- do -	12.5
3.	Microwave oven and spare parts thereof	- do -	10	- do-	2.5	- do -	12.5
4.	Plywood, Veneer plywood, particle board and hard boards and veneers not covered by entry 123 of the First Schedule	- do -	10	- do -	2.5	- do -	12.5
5.	Synthetic rubber foam and other synthetic rubber products. polyurethane foams and plastic foams and their products except products of mixture of	- do -	10	-do-	5	-do-	15

	rubber and synthetic rubber						
6.	Refrigerators. water coolers air conditioning plants, air coolers, room coolers, machines components and spare parts thereof	- do -	10	-do-	2.5	-do-	12.5
7.	Washing machines. dishwashers and spare parts	- do -	10	-do-	2.5	-do-	12.5
*8.	Timber	- do -	10	-do-	2.5	-do-	12.5
9.	Typewriter including electronic typewriters and spare parts	- do -	10	-do-	2.5	-do-	12.5
10.	Vacuum cleaner	- do -	10	-do-	2.5	-do-	12.5
11.	Voltage stabilisers	- do -	8	-do-	2	-do-	10
Explanation: Any goods specifically included in this schedule shall not be construed as coming under any general category in the first schedule							
Explanation: "Timber "includes all kinds of wood,standing trees logs planks rafters of any size or variety."							