



## **BUDGET SPEECH FOR 1998-99**

**T. Sivadasa Menon**

*March 24<sup>th</sup> 1998.*

Sir,

I rise to present the budget for the year 1998-99.

1. This budget should have been presented in this House on 20th March 1998. The postponement of the date for the presentation was necessitated due to the sudden demise of Sri. E.M.S. Namboodripad, the first Chief Minister of Kerala and the leader of the first Kerala Legislative Assembly. No words are enough to describe his contribution to our society as a freedom fighter, social reformer, author and leader of the democratic movement. He lived and shall continue to live in the hearts of millions. I would like to express my gratitude to the leaders of all political parties in the Legislature, especially to the Leader of Opposition who co-operated with me to change the date of Budget and forgoing the two days gap to study the documents before discussion.

### **PART I**

2. This budget is being presented in the background of tumultuous changes in the Indian political arena. The United Front government, which had the support of all the parties represented in this House had to resign. The country had to face yet another general election in a span of 21 months. The election once again showed that no single party can, in the given circumstances, obtain majority and as such the political formation, which the President considered as the biggest, has been asked to form the government. Accordingly the BJP led Govt. assumed power. It is with grave concern that every one of us looks at the future. Let us hope that we will be able to preserve the secular fabric unity of the people and the diversity of the country against all challenges.
3. The country is going through a period of recession in the economy. The Reserve Bank of India in its *Report on Currency and Finance* has noted that agricultural production in 1997-98 is less than the targeted figure. Similarly, industrial sector registered a lower growth of 4.7% during the period April-August 1997 as compared with 11.2% in the corresponding period of the previous year. The only area where growth was visible was infrastructure, mainly on account of the reasonably good performance of electricity generation and petroleum crude industries. During the first six months of the financial year 1997-98, the primary capital market was virtually dormant. Share prices continued to rule at lower

- levels. As measured by the variations in the Wholesale Price Index, the inflation rate was placed lower at 3.2%, on a point-to-point basis, up to November 8, 1997 as compared with 6.5% recorded during the comparable period of the previous year. The area of utmost concern was the external sector. The exchange rate of the rupee depreciated gradually from Rs.35.18 to nearly Rs. 40 per dollar. In short, the entire country is passing through a difficult time. Unless corrective measures are taken in a time bound manner, the economic development will be put to chains, and the hardship on the poor, will increase.
4. The Kerala economy is facing tremendous difficulties not only because of the overall recessionary trend in the Indian economy but also due to reasons peculiar to it. The mainstay of our economy are plantation crops which are affected, on the one hand by the price illustrations in the international market, and the other, by the new economic policy launched in 1991 and continued by the erstwhile government. The loss of income to our farmers is estimated at over Rs.1000 Crore during the past year. Secondly, large number of our overseas Keralites had to return during the year, adversely affecting the inflow of remittances and consequently, of consumption. Thirdly, the boom in the real estate market has ended, resulting in lower investment through construction activities. All these have, in one way or the other, resulted in reduced economic activities in the state, affecting the income of the population.
  5. Even though the Government of India has not been able to finalise the Ninth Five Year Plan, the Planning Commission has approved the State's outlay at Rs.16100 Crore. Consequent to the sudden dissolution of the Lok Sabha, the Planning commission has deferred the discussions on the Annual Plan 1998-99. As such we could not finalise the State's Annual Plan. However, the Government has decided to tentatively fix the outlay of the Annual Plan 1998-99 at Rs.3100 crore. This may have to be modified on the basis of the discussions with the Planning Commission later. The Five Year Plan and Annual Plan allocation for the different sectors is as follows:

Sector	<i>Rs in Crore</i>	
	Five year Plan	Annual Plan 1998-99
Agriculture and allied sectors	1039.50	235.80
Area Programmes	47.00	9.46
Rural Development	392.90	65.34
Irrigation	1028.00	233.00
Industries	1125.96	225.00
Power	2671.00	650.00
Transport	569.00	130.00
Scientific Services	75.00	17.00
Social and Community Services	2863.64	510.90
Economic Services	185.00	44.50
General Services	103.00	29.00
Grant to Local Bodies	6000.00	950.00

<b>TOTAL</b>	<b>16100.00</b>	<b>3100.00</b>
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6. The Ninth Plan outlay is 294% of the approved outlay of English Plan, which was Rs. 5460 crore. It must be remembered that this is one of the highest increases given by the Planning Commission to any State. This is the result of the better management of the economy and finances of the Government.
7. Out of the above, Rs. 1813.90 crore and Rs. 351.80 crore respectively have been earmarked for SC/ST development during the Five Year Plan and the Annual Plan periods. These work out to 11.26% and 11.35% respectively, which is proportionate to the population share of these sections. Two thirds of these amounts will be given to Local Bodies as grant.
8. The grant to Local Bodies has been fixed at Rs. 6000 crore and Rs. 950 crore respectively for the two periods. This has increased from Rs.749 crore, in 1997-98 to Rs. 950 crore, next year. This includes general grant of 716 crore SC grant of Rs. 195 crore and ST grant of Rs. 39 crore. In addition, an amount of Rs.215 crore will be available to the Local Bodies under other Schemes, which are booked under the head of account of the respective departments. Thus the total amount earmarked for decentralised planning is Rs. 1165 crore, which works out to 37.58% of the Plan outlay.
9. The formula for devolution of Plan funds to the Local Bodies has been changed from 1998-99. Whereas in 1997-98 the allocation was made solely on the basis of population, different parameters have been used to calculate the share of each Local Body this time. In addition to population, weightage has been given to area, income number of households without electricity and latrines, number of marginal workers etc. This makes a more equitable distribution of resources among the Local Bodies. The details of the devolution of funds, the share of each Local Body etc. are given in Appendix IV of the Budget documents.

## PART II

10. Now let me narrate the sectoral programmes.
11. **Agriculture** is a sector where the bulk of the activities have been transferred to the panchayats. An analysis shows that the crop husbandry sector including soil conservation gets maximum allocation in the plans of the Gram Panchayaths working out to 14% of the grant to these local bodies. It is expected that they will continue to give this thrust in the coming years also. While fixing the norms for devolution of the funds to the local bodies this aspect has also been considered. Accordingly five per cent of the allocation to the Grama Panchayaths has been made on the basis of the cropped area under paddy. This is the sign of importance the Government attaches, not only to the sustenance but also to the further development of paddy cultivation.
12. Coconut, paddy, pepper and vegetables will get continued support at the state level. A new scheme for coconut development will be undertaken, for which purpose, an allocation of Rs.6 Crore is made in the Budget. Rs.5 Crore is set apart for a new Agricultural Finance Company, which is in the process of being formed. An allocation of Rs.2.79 Crore is made for market intervention support for stabilisation of prices of agricultural produce. The Kerala Agricultural

- Marketing Project has been given an allocation of Rs.15 Crore to expedite its completion. One of the areas with potential for development is cashew plantation. With this aim in view, provision has been made in the budget to the tune of Rs.2.75 Crore under different cashew schemes. The government is committed to give subsidy for power to the farmers who own up to two hectares. Since this has not been provided in the budget, I make a provision of Rs. 10 Crore for the purpose.
13. The important programmes supported under the state plan in **livestock** sector include operable all the veterinary dispensaries already sanctioned by providing manpower and better facilities, and establishing 200 more artificial insemination centres preferably in the Malabar area. Expansion of hatchery support for poultry and improved reproductive facilities for goat, duck and pig are planned. Setting up of a new veterinary college, expansion of training facilities and support to Kerala Feeds Limited, are also envisaged. The calf feed subsidy scheme, now being implemented by the local bodies, will be continued and the coverage enhanced by enrolling another 10000 calves during 1998-99. A sum of Rs. 5 Crore is already provided under the State Sponsored Schemes for this purpose. I also set apart Rs.25 Lakh for starting the Brahmagiri Dairy Project in Wayanad district.
  14. In order to ensure remunerative price to **fishermen**, the Government propose to establish "Fish Booths" with the active cooperation of NCDC. Similarly, about Rs.19 Crore will be spent to distribute implements to the fishermen. In the inland sector, utilisation of the water spread for fish culture in an eco-friendly manner with people's participation, including local bodies, is given importance. Accordingly 'Janakeeya Matsyakrishi', ranching of open water bodies, social fisheries etc., will be the important programmes during 1998-99. In order to expand the avenues of employment for women in this sector, it is proposed to implement various schemes with the participation of National Backward Classes Corporation, National Minorities' Development Corporation and the State Women's Development Corporation. Ornamental Fish Farming will be one of the main areas for this purpose. It is also proposed to establish Fishermen's Banks to liberate the fishermen from the clutches of usurers. Fisheries Resource Management Society, with the aim of formulating long-term strategy for the development of this sector will become functional during the next year. The fisheries department will restructure its activities, giving Matsya Bhavans the central role.
  15. Apart from activating and re-vitalising areas like agro-processing and marketing, efforts will be directed towards strengthening the **co-operative** credit societies for making them the principal catalyst for the development of agriculture and allied sectors. The new concept of self-help groups introduced on a pilot basis in Kannur District will be expanded after evaluating the performance. Neethi Stores started during the current year has helped contain price rise to a large extent. Its network will be further expanded. The following new initiatives will be taken in this sector during the next year:
    - ❖ Co-operative medical stores on the lines of Neethi Stores will be opened in all taluks attached to the taluk hospitals. I am providing a sum of Rs.5 crore for this

- purpose to be given as share capital. This will be the first phase of one hundred co-operative medical stores intended to be opened in the state.
- ❖ The Rubco will set up a rubber based industry and I am providing Rs. 10 lakh for feasibility studies.
  - ❖ There is large untapped potential in setting up ready made garment units in the cooperative sector, which will provide substantial employment, especially to women. This will be taken up as a thrust area.
  - ❖ In order to help the rice farmers of Palakkad obtain remunerative price for their produce, a modern rice mill will be set up at Thathamangalam in the cooperative sector. I make a provision of Rs.2 Crore towards the share capital of this society.
  - ❖ I also set apart a sum of Rs.5 Lakh for giving an incentive to the primary cooperative societies taking up computerisation of their operations.
16. Production and conservation of the **forest** resources by educating the people of the need for conserving and making them participate in the conservation activities on the one hand and providing the forest department with more facilities on the other is the strategy adopted for forestry and wild life development. A new project amounting to Rs.175 Crore, posed for World Bank assistance, and in its final stage of clearance, is expected to commence implementation in July this year. An amount of Rs.15 Crore has been provided in the Budget for this purpose. The absence of road access in the border district of Wayanad is a major constraint in the protection of forest from intruders, detection of ganja cultivation, illicit distillation of liquor etc. In order to protect the forest from the above evils it is proposed to construct a road in "Chooralmala-Munderi" in Wayanad Division by the Forest Department. An amount of Rs.10 lakh is earmarked for this purpose.
17. In **Irrigation** the following shall be the priorities of the government next year:
- ❖ Revamping and consolidation of old projects and time bound completion of those in advanced stages. With this aim in view Pazhassi, Karapuzha and Kanhirapuzha projects will be completed during 1998-99.
  - ❖ Introduction of a new concept of multi purpose and self supporting medium projects under autonomous authorities.
  - ❖ The potential of Bharathappuzha has not been tapped fully for irrigation and drinking water purposes. To correct this situation, Velliyankallu causeway and Mayannoor causeway will be taken up for implementation during 1998-99. I make a provision of Rs.2 Crore and Rs.1 Crore respectively for these projects.
18. It has been decided to make a detailed study of the causes of **flooding** in different rivers and take up necessary action. Accordingly, a study has been instituted for the river Pampa. Eco-friendly projects will be taken up in the area of coastal zone management. The improvement work on the, Canoly Canal is fast progressing and it is expected that it will be completed during the next year.
19. As part of the government's drive to make maximum use of the **inland waterways** improvements have been made to the Parassinikkadave-Kottappuram sector and boat service has been started. A project has been posed for World Bank aid for the development of the Alappuzha-Changanassery, Alappuzha-Kottayam and Kottayam-Vaikom water ways.
20. Our State entered the era of thermal power during the current year, with the commissioning of the Brahamapuram plant. Out of the five generators three have

started generation and when fully commissioned, the project will generate 106.6 MW of power. The hydel projects commissioned during the year are Lower Periyar Hydel Project with an installed capacity of 180 MW and Mattupetty with 2.5 MW. The Centre for Monitoring Indian Economy has, in its Report on Infrastructure Investment noted that these are the only power projects commissioned during the current year in the whole country. The following are the projects to be commissioned in the near future:

- ❖ The 160 MW combined cycle plant at Kochi by BSES.
- ❖ The 122 MW second thermal power project at Kozhikode will be completed in 1999.
- ❖ Three Hydro electric projects: Kakad, Peringalkuthu and Malappuzha: will be commissioned in 1998-99 creating additional capacity of 58.5MW.

21. In the **industries** sector the following programmes are envisaged during the next year:

- ❖ A specialised financial institution will be set up for reviving the public sector units with a corpus of Rs.30 Crore. The additional amount required will be mobilised by raising non SLR bonds.
- ❖ A massive modernisation programme of the coir industry is being attempted with the financial support from the government of India and the NCDC. The Integrated Coir Development Project envisages the setting up of 200 motorised spinning units and 100 defibring mills.
- ❖ A special thrust will be given for the industrialisation of Wayanad and Idukki districts which are eligible for 100% income tax exemption.
- ❖ The Bamboo Corporation is on the path of modernisation which will, not only increase the employment potential but also raise the living condition of the workers dependent on the industry. To give a boost to their efforts I am setting apart Rs.50 lakh as grant in addition to the provision already made .
- ❖ The Cashew Development Corporation and the CAPEX will be modernised. I have already provided Rs. 100 lakh and Rs.50 lakh respectively for this purpose.
- ❖ We have set up a number of industrial estates for the development of small scale industry. Action will be taken to improve their functioning.

22. I also make a provision of Rs.25 Crore for power subsidy to industries, since no separate amount is provided for the same .

23. The government constituted a committee to draft an Information Technology Policy for the state. The committee has submitted its report, which includes proposals for converting Kerala into a base for software development. In the meanwhile, the government has already taken steps to establish Software Parks at Kochi, Kozhikode and Kannur which will, not only generate employment but also boost software exports. The Government will strive to make Kerala as one of the **software valleys** of the world.

24. The **road development** programme during the next year will include the following:

- ❖ A new bridge parallel to the Mattanchery Bridge will be taken up on B.O.T basis.
- ❖ It is proposed to construct a new road from Irimpanam to Nedumbasserry Air Port for handling the increased traffic that will be generated by the commissioning of the new airport .

- ❖ In the National Highway Sector it is proposed to take up a new highway from Nedumbasserry to Kodaikanal via Munnar as a 50% Centrally Sponsored Scheme. This new highway will give significant boost to tourism development in the state.
- ❖ Widening of NH 47 from Krishnapuram to Haripad will be taken up at an estimated cost of Rs.14 crore.
- ❖ The State Government has taken steps for securing sanction for Kollam Bye Pass Phase II and the Vazhamuttom to Kovalam reach on the Thiruvananthapuram Bye Pass. Work on these Bye Passes will be taken up in the next financial year.
- ❖ M/s. RITES was entrusted with the feasibility study for a North-South Expressway. Based upon the report, it is proposed to take up as a first priority 60 kms of road from Amballur near Thrissur to Vadiyambadi near Kolencherry for development as an Expressway on B.O.T basis .
- ❖ The NABARD assisted projects have made very good progress in the current year. The works will be completed as per the time schedule fixed. A new project for construction of 41 bridges at a cost of Rs.169 crore has also been formulated for implementation in the coming year. Twenty of them are in the Malabar area.
- ❖ Highest priority will be accorded to road safety and road maintenance with a view to reducing the accidents caused by road related factors. Rs.5 crore is also being provided for Road safety works such as geometric improvements and shoulder improvements.

25. The Greater Cochin Development Authority will be the nodal agency for the first two projects mentioned above.

26. Inadequacy of accommodation for Government employees has been a very serious constraint affecting the administration. To overcome this problem the following are envisaged:

- ❖ It is proposed to construct bachelor's hostels at the district headquarters of Idukki and Wayanad. I set apart an amount of Rs.50 lakh for each.
- ❖ A project for construction of flats for Government officers and staff in Thiruvananthapuram will be taken up immediately. Rs. one crore is being provided for this.
- ❖ NGO Quarters at Malappuram and Gazetted Officers' quarters at Palakkad will be constructed. Rs.50 lakh each being provided for this purpose.

27. Kerala has a large potential for development of **ports**. However, it requires huge investment. The State Government has already signed a Build Operate and Transfer (B.O.T) Agreement with Mobil Peevees Company Ltd. for the construction of a captive Jetty at Beypore. This involves an investment of Rs.300 crore. This is the first of its kind in Kerala and the venture contemplates import, store and bottling of LPG at Chaliyam side of the Beypore Port. The Government will strive to develop other ports also on the same lines.

28. The **transport** department will be implementing the following programmes next year: .

- ❖ The issue of driving licenses in laminated cards will be introduced in all offices in a phased manner.

- ❖ Computerisation of all motor vehicles department offices will be completed within 2 years.
- ❖ A High Level Committee was constituted for studying the problem of road accidents to submit proposals for reducing the same. It is proposed to make the conditions for granting driving license and fitness certificate more stringent, enhance the fines for traffic offences and reactivate the District Road Safety Committee. Accordingly, I propose to revise upwards the compounding fee for various offences punishable under the Motor Vehicles Act 1988 to have a different effect. The details are given in Appendix 1.
- ❖ The proposal for collecting motor vehicles tax through Banks will be examined.
- ❖ To meet the increased demand for boat services from the islands of Kochi, provision has been made in the budget to acquire new boats in the next financial year.
- ❖ Steps are also being taken to improve and modernise the workshop facilities of the water transport department.
- ❖ During the year 1998-99, KSRTC proposes to commission 1,000 new buses, out of which 200 will be of hi-tech quality. For this purpose Regional Workshop, Edappal is being equipped with modern machines. These hi-tech buses having higher standards of passenger comfort and safety measures are proposed to be introduced on long distance routes connecting district headquarters with State capital. It is also proposed for operation on inter-state routes connecting major pilgrim - tourist centres of Tamil Nadu and Karnataka.
- ❖ Thiruvananthapuram Central Station will be modernised .
- ❖ In order to reduce the number of accidents, training for KSRTC drivers will be strengthened.

29. Government will revise the incentive schemes to encourage more private investment in **tourism** sector. Standards of the tourism industry will be improved in the State by implementing the Kerala Tourism Trade Act. The important programmes proposed under tourism are creation of infrastructure facilities, development of information systems, strengthening of marketing efforts, development of tourism resort, and assistance to agencies like KTDC, TRKL to complete the envisaged programmes.

30. OECF of Japan has promised to fund five major **water supply** schemes with a total outlay of Rs. 1787 crore. These schemes, when completed, will benefit approximately 36 lakh people in Thiruvananthapuram, Kollam, Cherthala, Kozhikode and Kannur. Work is progressing on 300 rural drinking water projects and six urban projects will be commissioned soon. All the LIC aided projects will be fully commissioned during the next two years. The local bodies have set apart considerable amount of the grant in aid for drinking water projects and the Water Authority is closely

co-operating with them for timely implementation of the same.

31. For the purpose of improving the quality of **school education** the following initiatives are envisaged:

- ❖ Establishment of an Educational Quality Mission.
- ❖ Establishment of a State Institute for Education Technology with the financial help from the centre.
- ❖ Popularisation of computer education and the development of educational software.

32. The main thrust in the **higher education** sector will be quality improvement and modernisation. Appropriate steps will be taken to modernise university education. Centralised computer centres working at least for 12 hours per day will be opened in 4 Government Engineering Colleges at Thiruvananthapuram, Kottayam, Thrissur and Kannur and Internet connections will be made available in these centres. The process of de-linking pre-degree from colleges started during 1997-98 will be continued during 1998-99. Refresher courses will be arranged for the faculty so that their services can be utilised in the new emerging areas. NCC plays an important role in cultivating discipline among student community. The schools and colleges in the districts of Kasaragod, Wayanad and Idukki are deprived of this facility. Steps are being taken to start NCC in these districts also by establishing 3 new Battalions.

33. Although Kerala has done well in **health and family** welfare activities, a lot more effort is required to sustain the progress and also to cover the uncovered areas. In this direction the following are proposed:

- ❖ It is proposed to launch a new Reproductive Child Health Project with about Rs.40 crore of assistance from the World Bank. This will be implemented throughout the State. However, special Sub Project will be implemented in the district of Palakkad and in the City Corporation of Kozhikode. Over and above this, with the help of United Nations Population Fund, sub projects will be launched in the Districts of Kasaragod, Wayanad and Kannur and the coastal Blocks of other districts.
- ❖ There has been no significant initiative for looking after the mental health of the people of Kerala. The government, therefore, propose to have a new mental health policy for the State, emphasising the community based care for the mentally ill.
- ❖ The government also proposes to set up centre for treatment and training in diabetes, in collaboration with Mayo Clinic of U.S.A.
- ❖ The increasing spread of AIDS is an area of serious concern and it is proposed to implement a massive programme with the help of external agencies.
- ❖ The present Government has been able to reduce the incidence and impact of epidemics to a very large extent. However, it is felt that an ongoing system of disease surveillance and provision for rapid action is required. It is proposed to launch such a programme in the District of Alappuzha as a pilot scheme.

34. The administration of hospitals has been handed over to the Grama Panchayaths and Block Panchayats. It is proposed to hand over the District Hospitals to the District Panchayats. These bodies will be encouraged to prepare a perspective health plan for institutions under them. The department will give all the required technical assistance to the local bodies. There are several *parampariya vaidyas* who receive grant from the government. It was the LDF governments that revised their grants in 1980 and 1990, which now stands at Rs.400 per month. Since I feel that the grant requires revision, I propose to revise it to Rs.600 per month.

35. The Housing Board has earned the HUDCO award for the best **housing** agency in the country for the successful

- ❖ Sanction loans for one- lakh units under the Maithri Housing Scheme and 5,800 units under the other schemes.
- ❖ Group Insurance Scheme upto Rs.50,000 per unit to cover the beneficiaries under the Maithri Housing Scheme.
- ❖ A new housing scheme named Golden Jubilee Rural Housing Scheme.

36. The outlay proposed for **SC/ST development** in 1998-99 is Rs. 351.80 crore out of which Rs. 292 crore is for development of Scheduled Castes and Rs. 59.80 crore for Scheduled Tribes development. Since these development programmes are primarily local based, they need to be implemented in a decentralised manner, and as such, two thirds of the total provision amounting to Rs.234. crore, has been earmarked for local bodies and included in the grant-in-aid to them. The following are the highlights of new schemes:

- ❖ The pass percentage of the SC/ST students in the SSLC examination is abysmally low. In order to aid to them. The following are the highlights of new schemes:
- ❖ The pass percentage of the SC/ST students in the SSLC examination is abysmally low. In order to improve the situation a scheme to impart private tuition to such students will be implemented .
- ❖ An institution will be started attached to the Thrissur Medical College to impart training to SC/ST students in nursing and other paramedical courses.
- ❖ New residential schools for SCs will be opened at Palakkad and Ernakulam and for STs at Pathanamthitta, Thrissur, Kannur and Kasargode.
- ❖ The housing grant has already been raised to Rs.35,000 and the income limit for eligibility will be raised from Rs.8000, to Rs.12,000.
- ❖ The houses constructed for SC/STs under various schemes require repairs. It is proposed to give a repair grant of Rs.1,000 per house .

37. It has been decided to transfer all employment generation programmes under **rural development** department to the local bodies. The share of the Gram Panchayaths in the JRY scheme will be raised by 5% and the shares will be at the ratio of 70:15:15 for Gram, Block and District Panchayaths respectively. The Government proposes to launch a Total Sanitation Programme with the help of Central Government and the Government of Netherlands. The local bodies will implement this programme. The Government has introduced a subsidy of Rs.13,000 for construction of houses for Scheduled Castes under IAY and JRY programmes from current year. This will be extended to Scheduled Tribes also from 1998-99 onwards. The Model TRYSEM

programme will be extended to more blocks. The DRDAs will be transferred to the District Panchayats.

38. The World Food Programme is withdrawing the **nutrition** assistance to the Anganvady Centres in the state from April 1998. Consequently, the cost of running the Centres will devolve entirely on the state from next year onwards. This is a function that stand transferred to the local bodies, and therefore, the expenditure will have to be met from the plan allocation of local bodies. The local bodies have been asked to make provision for this item in their plans from next year onwards. At the same time a new programme for nutrition named ICDS III is being considered by the World Bank for assistance.

39. The **culture** department proposes to publish a History of Kerala Culture in four volumes with the help of renowned historians. The first volumes will be brought out next year. The remuneration for authors will be raised from Rs.5,000 to Rs.10,000. An award will be instituted under the auspices of 'Samsakara Keralam' for the best academic article published in journals. A Balasahithya Award of Rs.25,000 will be instituted for children's literature. The theatre -cum- shopping complex of KSFDC at Thrissur will be opened next year. Similar projects will be taken up at Kottayam and Palakkad also. The Asan memorial at Thonnakkal will be developed into an institution of national importance for which a project has been submitted to the central government.

40. Statistics show a declining tendency of **labour** disputes in 36 different types of industries in the state. The number of industrial disputes in the state decreased from 5874 in 1993-94 to 5274 in 1996-97. Number of disputes that led to strikes and lock outs decreased from 59 in 1995-96 to 53 in 1996-97. The total number of man-days lost due to strikes and lockouts during 1996-97 was only 14.33 lakh as against 23.68 lakh in the previous year.

41. In order to protect the welfare of the working class, I wish to make the following financial announcements:

- ❖ The gratuity due to the retired workers of the cashew factories taken over by the government will be paid, for which purpose I make a provision of Rs. 4 crore.
- ❖ A housing scheme will be introduced for cashew workers with the help of HUDCO.
- ❖ The government will be setting up a welfare fund to benefit the workers coming under the Shops and Commercial Establishments Act.
- ❖ The contribution of the government towards the pension scheme of toddy workers will be raised from 7.5% to 10% to revise the pension of the workers.

42. To strengthen the **public distribution** system the government has taken the following initiatives:

- ❖ With the introduction of One Rupee per Kilo Subsidy Scheme in August 1996, the off-take of rice increased by about 30,000-40,000 tonnes on an average every month, which is a visible sign of its usefulness.
- ❖ When the Targeted Public Distribution System (TPDS) was introduced from 1st June 1997 the Government of India fixed the number of families eligible for its benefit to 25% of the population. However, the State Government extended the benefit of the scheme to another 17% families. Thus, the entire Below Poverty

Line (BPL) families constituting 42% of the population are beneficiaries of the Scheme.

- ❖ When the Government of India increased the price of ration rice from Ist December 1997, the State Government took special measures not to pass on the impact of price rise to the common people. The State Government decided to supply 16 kg. of rice to the BPL families at 6.50 per kg. as against Rs.7 fixed by the centre over and above the 10 kg. of rice under TPDS.
- ❖ The Market Intervention Scheme launched by the State Government from August 1996 was highly successful in controlling the prices of essential commodities. The government had given Rs.50 crore as grant to the Civil Supplies Corporation during the current year for this purpose.

43. These measures have helped in controlling the price of rice and other essential commodities in the open market. This policy will be continued. An amount of Rs. 111 crore and Rs.50 crore have been provided in the current year's budget for the two schemes.

44. The opening of a number of new Maveli Medical Stores and starting of LPG Centres by the Civil Supplies Corporation have helped to ensure supply of quality medicines at fair prices and providing quality service in the distribution of LPG cylinders. Transparency in the PDS has been an important concern for this Government. In order to make the PDS transparent and effective the Food Advisory-cum-vigilance committees will be strengthened and made more purposeful. The Ration Dealers' Welfare Fund Bill introduced in the Assembly will be made functional during the current year.

45. Devolution of around 36% of the state's Annual Plan outlay for the plan projects prepared by the local bodies under the **people's campaign** was the most significant feature of the Budget that I presented last year. I must congratulate the local bodies in Kerala on creating history by drawing up a Plan from below, an achievement that has attracted national and international attention. Being the first year, serious delays and problems in the implementation are only to be expected. The sudden announcement of Parliament election also added to the problems. After a realistic assessment of the ground situation, the Government has initiated a number of steps to ensure that the current year's plan grants allotted to the local bodies do not lapse and they are given more time to complete the implementation of the annual plan for 1997-98.

46. Kerala can be rightfully proud of having devolved a substantial share of its Plan resources to the **local bodies** for planning and implementing locally relevant schemes. Yet I believe that the development needs at the local level require much more resources. Therefore, Government would endeavor to channel funds from the market as well as institutional finance to the local bodies. To achieve this objective, the following are proposed:

- ❖ The Kerala Urban Development Finance Corporation would be revitalised and the Rural Development Board be restructured. It is expected that they will be able to mobilise considerable institutional finance and funds from the market. Government and the local bodies would strengthen the equity base of these organisations.
- ❖ For financing city development, it is necessary to mop up as much extra budgetary resources as possible. As I mentioned earlier, the Greater Cochin Development Authority has taken initiatives for implementation of two

schemes on BOT basis. As a mark of recognition of their effort, I propose to give a grant to GCDA. The grant amount will be equal to 25% of the collection of Indira Vikas Pathra through GCDA.

- ❖ The plan budget includes loan assistance at the rate of Rs.1 Crore each to the Thiruvananthapuram, Kozhikode and Kochi Development Authorities. If Thiruvananthapuram and Kozhikode Development Authorities propose such projects for funding like the GCDA, it will also be considered on the same lines.
- ❖ In the context of the peculiar settlement pattern of Kerala, there is need for scientific spatial planning in both the rural and urban areas of the State. At present the services of the Town Planning Department are concentrated in urban areas. The Town Planning Department would be revamped and renamed as Town and Country Planning Department and its services would be made available to the urban and rural local bodies. For strengthening and modernization of this department I set apart Rs.180 lakh.
- ❖ Since government functions are being performed at several levels, there is need for an efficient Management Information System. It is the intention of the Government to network all the Local Bodies through a computerised system. For this purpose, and for modernisation, I set apart Rs.150 lakh for the Grama Panchayats, Rs.75 lakh for the Block Panchayats and Rs.25 lakh for the Municipalities.
- ❖ Multi-purpose projects are a rarity now. However, the Chamravattom project which envisages construction of a regulator-cum-bridge across Bharatapuzha at Chamravattom in Malappuram would benefit the three districts of Malappuram, Palakkad and Thrissur, is a multi-purpose project of great relevance. It can irrigate a gross area of about 10000 hectares and stabilize cultivation in another 3500 hectares. It would have a positive environmental impact by regulating salt intrusion and can provide assured drinking water to two municipalities and 14 panchayats. The project would connect Ponnani and Tirur through the bridge. Moreover, it will open up possibilities of pisciculture and tourism. This project which has been estimated to cost Rs.70 crore in 1996 would require mobilisation of funds from the State Government, from the local bodies, besides institutional finance. I am glad to set apart Rs.5 crore for this project which will be implemented by a specially constituted project implementation agency.

47. The government proposes to constitute a committee to study and recommend modifications necessary in the programmes implemented for the welfare of **youth**. In **sports**, it is proposed to identify and develop play fields in rural areas. A physical fitness programme to test and assess the physical capacity of the students also will be taken up.

48. The Revenue Board Abolition Act will be implemented and decentralisation effected during the next year. In order to make **Revenue** Administration more effective, the question of bifurcation of certain Taluks will be examined. Kudikidappukars will be given an assistance of Rs.1 0,000 for repairs to their houses. Out of this Rs.1,000 will be grant and Rs.9,000 loan. The Revenue records will be computerised and record rooms constructed in Sub divisional and Taluk offices.

49. I wish to make the following announcements that will benefit the **government employees and teachers**:

- ❖ It is expected that the report of the pay revision committee will be submitted soon. The government shall be taking a decision on it at the earliest.
- ❖ One installment of D.A, effective from 1.7.97, is due to the state government employees and pensioners. I propose to release the D.A along with the salary for the month of March 1998. I am happy to announce that with this declaration the D.A. in the state will become current and there will not be any arrears.
- ❖ Government has decided to waive the liability of the government employees who died while in service up to a maximum of Rs.2 lakh. If, on implementation, it is found that the amount has to be increased the same will be considered.
- ❖ I propose to introduce a provident fund scheme for the part time contingent employees in the state. The Kerala Government Medical Attendance Rules will be extended to the part time employees also.

50. The Government has announced the new Abkari Policy for the year 1998-99 with a view to strictly enforce the arrack ban. Even though rules for imposing severe punishment for offences have been framed and enforcement action tightened, transportation and sale of illicit liquor are detected in some parts of the State. In order to control the Abkari offences effectively, the government would take steps to strengthen the enforcement machinery of excise department with adequate men and vehicles. For this purpose, 30 new vehicles will be purchased and 42 posts of Assistant Excise Inspectors created with necessary provision for funds in the next year's Budget. The Excise Department will be modernised with computers and communication systems introduced linking its main offices with zonal and divisional offices. I provide an amount of Rs.2 crore in the Budget for the current year. Eventhough amendments are made in the Abkari Act from time to time a comprehensive revision of Abkari Act becomes necessary. Government desires to appoint a committee for this purpose. Government also purpose to constitute a committee to study and recommend proposals for reviving toddy sector as recommended by the Udayabhanu Committee. Government will examine the proposal to register a society in the model of KHRWS for construction of clean toddy shops.

51. As part of implementation of the recommendations of Udayabhanu Committee, the **Home** department proposes to upgrade the Sub Jails at Thiruvananthapuram, Kollam, Ernakulam and Palakkad as District Jails. Posts of Female Wardens will be created for safety and protection of Women prisoners and new posts will be created for regulating the working hours of staff. It has been decided to start a fire station at Vadakkancherry in Thrissur district, in view of the earth tremors that have occurred in that area, and also at Mukkom in Kozhikode district.

52. Now I wish to announce certain benefits for press people .

- ❖ The government proposes to extend pension benefits now enjoyed by the working journalists to non-working journalists also .

- ❖ I had declared a health insurance scheme to the journalists in the last budget. I set apart Rs.10 lakh for this scheme.
- ❖ I provide an amount of Rs.15 lakh as grant to the Institute of Communication and Journalism of the Calicut Press Club.

### PART III

53. Now let me deal with the **financial position** of the government. The budget for 1997-98 had anticipated an opening balance of Rs.58.19 crore only. However, the current financial year opened with a balance of Rs.496.59 crore. I had expected Revenue Receipts of Rs.7553.36 crore and Revenue Expenditure of Rs.8795.67 crore in the budget for 1997-98. However, these have gone upto Rs.7628.99 crore and Rs.9203.87 crore, respectively. Under Capital Account, including Loans and Advances, the increase is Rs.261.70 crore, over the current year's Budget Estimate of Rs.950.70 crore. The overall deficit has increased from Rs.214.51 crore (BE) to Rs.994.78 (RE). Even though I had expected to close the current year with a negative cash balance of Rs.156.32 crore, it now turns out that it may end up with a negative cash balance of Rs.498.19 crore.

54. The Revised Estimate 1997-98 is fixed taking into account the Supplementary Demands for Grants July 97, December 97 and March 1998 amounting to RS.862.43 Crore and the additional expenditure incurred since then. The main items of additional expenditure are as follows:

	Rupees in Crore
For the implementation of the TPDS with effect from 1-6-97	48.00
KSCS- Market intervention programme	50.00
Basic Tax to Local Bodies	50.00
Elections	2.66
Clearing contractors' bills	72.06
NABARD assisted works	10.00
Purchase of bitumen for road works	17.00
Kerala State Co-operative Hospital Complex (Pariyaram)	26.00
Water Authority	28.50
Relief to Abkari workers	38.87
Neethi Stores	13.04
Loans to KSEB	55.50
Konkan Railway	12.00
Coir Workers' Welfare Fund	8.00
Accelerated irrigation benefit programme	7.50
Calamity Relief Fund	12.91
Industries for MDA	10.00
KSRTC	12.25
Cashew Development Corporation	22.65

Coconut Development Corporation	8.00
Agricultural Workers Pension	13.90

55. The Budget Estimates for 1998-99 shows Revenue Receipts of Rs.8,677.79 crore and Revenue Expenditure of Rs.9,623.78 crore, showing a deficit of Rs.945.99 crore. Taking into account Capital Account and Public Account, it is expected that there will be an overall surplus of Rs.13 8.06 crore. However, the negative cash balance of Rs.498.19 crore, mentioned earlier, has to be carried forward, resulting in a closing cash balance of (-)360.13 crore. In addition, there are several items of expenditure declared in various portions of this speech, amounting to Rs.72.60 crore. I propose to cover the resultant deficit, to the maximum possible extend, in the following manner.

#### **PART IV**

##### **Basic Tax**

56. The State Finance Commission has recommended that the Land Tax should be doubled and that 60 per cent of the additional income should go to the Block Panchayats and the balance to the District Panchayats. It has also recommended fixing a minimum rate per holding. The Government has accepted these recommendations and consequently, I propose to revise the Basic Tax (Land Tax) in the following manner:

Area	Present	Proposed
Panchayats	50 Paise per are	Re 1 per are subject to a minimum of Rs. 5
Municipalities and Township	Re 1 per are	Rs.2 per are subject to a minimum of Rs. 7.50
Corporations	Rs. 2 per are	Rs. 4 per are subject to a minimum of Rs 10.

I anticipate an additional revenue of Rs. 25 crore from these measures.

57. It shall also be provided that in case of delayed payment there shall be a fine of 2% of the tax due for every month of delay.

58. In view of the above, I propose to amend Section 202(1) and (2) of the Kerala Panchayat Act 1994 suitably.

##### **Non -Tax Revenue**

59. The task force constituted by the State Planning Board for identifying resources for Ninth Plan had identified Non-tax Revenue as a major area for resource mobilisation. They had also identified several items of fees which could be raised. The government had constituted a committee under the chairmanship of the Chief Secretary to formulate specific proposals. The Committee had submitted its report. Since the matter concerns different Administrative Departments, unless concerted action is taken it will be very difficult to implement these proposals on a time bound manner. Therefore, I propose that a separate cell be constituted in the Finance Department to implement and monitor the progress of implementation. I anticipate an additional revenue of Rs. 100 Crore.

## **Registration**

60. The period for the speedy disposal of pending under valued cases in respect of the registered documents by remitting 30% of the stamp duty expires by 17<sup>th</sup> April 1998. It will not be possible to complete the disposal of all the pending cases within the prescribed time. It is therefore proposed to extend the period upto 31<sup>st</sup> December 1998 for the disposal of such cases. Immediate action will be taken to dispose of these pending cases within the stipulated time. I set apart Rs. 50 lakh for giving wide publicity and for other matters. Rs. 50 Crore is anticipated as additional revenue.

## **Motor Vehicles Tax**

61. The policy of this Government is that the tax burden on the common man should be the least. Motor vehicle tax is a source where there is ample scope for mobilising resources for implementing development schemes and welfare measures. Various fees and taxes require revision. Keeping this in view I am proposing the following measures.

a) The rates for application fees for various permits referred to in the Kerala Motor Vehicles Rules have not been changed since July 1, 1989. The liabilities for the fees for regular permits occur only once in five years. I propose to revise the rates as shown in Appendix 2. I anticipate Rs.10 crore as additional revenue.

b) Owners of new motor cycles, three wheeled vehicles for private use and private cars will have to remit One Time Tax. Future revisions of tax rates will not be applicable to those who have remitted the tax in this manner. The tax is calculated in such a way that the owners need pay only the tax for 12 years, instead of 15 years, which is normal in such cases. Whenever such vehicles are transferred to other States for permanent use a refund of tax for the remaining period will be allowed. The details of One Time Tax are given in Appendix 3. I anticipate Rs.40 crore as additional revenue.

c) The motor vehicles tax of private cars including jeeps will be increased by 50%. The increase will not be applicable to two wheelers, auto rikshaws, taxi cars, tourist cars, lorries and buses, etc. The increase will not be applicable to those private cars including jeeps for the period upto which tax has already been remitted. The details are given in Appendix 4. I anticipate Rs.10 crore as additional revenue.

d) While revising the rates upwards in this manner, I also wish to give a concession. Physically handicapped persons with over 40% disability are given exemption from tax every year. On many occasions there occurs delay in issuing the necessary notifications, causing hardship to the concerned persons. Therefore, I propose to exempt them permanently from the purview of Motor Vehicles Tax.

e) There is rampant evasion of motor vehicles tax and sales tax by registering the vehicles in other States resulting in loss of revenue to the Government. I wish to curb this tendency with stern measures. Personnel of the Police, Motor Vehicles Department and Sales Tax Department shall check the documents of the vehicles registered in other States and ensure that the taxes due to the government are not evaded.

f) I hereby allocate an amount of Rs. 25 lakh for the wide publicity to create awareness about road safety and traffic rules.

## **Sales Tax**

62. In order to simplify the tax laws and to bring about transparency in tax administration, and to ameliorate difficulties faced by dealers and to prevent the evasion of tax, I propose to make certain administrative reforms. The details are given in Appendix 5. I anticipate an additional revenue of Rs.60 crore. I set apart Rs.230 lakh for the implementation of measures referred to in Appendix 5.

63. In my last two budgets I have been attempting rationalisation of the rate of tax on various items view to preventing diversion of trade and achieving parity with the rates of tax prevailing in the neighbouring states. This time also, I propose changes in the rates of tax on a few more items, the details of which are given in Appendix 6. I anticipate an additional revenue of Rs. 10 crore through trade increase.

64. In my last budget I had extended the benefit of simplified assessments to all dealers whose total turnover does not exceed Rs. 10 lakh. In order to give more relief to small traders I propose to extend the benefit to all dealers whose total turnover does not exceed Rs.15 lakh. The form of return will also be simplified. In the light of the further liberalisation of the provision for simplified assessment it is proposed to discontinue the exemption now available to bakeries upto a turn over of Rs. 6 lakhs. Additional revenue of Rs.2 crore is expected through increase in trade.

65. The compounding system introduced in 1994-95 in respect. of gold, silver and platinum group ornaments is continuing. Though it showed increase in revenue in the year of introduction, it has declined during the subsequent years.

Therefore the following measures are proposed to revise the compounding system with a view to raising the income.

- a. This concession will be confined to dealers who have been doing business consecutively for three years.
- b. As far as the dealer opting for compounding for the first time is concerned the quantum of compounded tax shall be 150% of the maximum tax conceded for a year in the return for any of the three immediately preceding years. But for a dealer opting for compounding for the second or subsequent years the quantum shall be 125% of the tax conceded for any of the three immediately preceding years or of the compounded tax paid during the immediate previous year whichever is higher.

Additional revenue of Rs. 5 crore is expected.

66. The concession rate of 4% applicable to biscuits and confectionery manufactured by SSI units within the State will be extended for a further period of one year from 1. 4.98.

67. The rate of tax on cement paints manufactured by SSI Units in the State is proposed to be reduced from 8% to 4% for a period of one year from 1.4.98. The loss in revenue will be offset by increase in trade.

68. In order to obviate the difficulties faced by the tanning units in the State it is proposed to treat raw hides and dressed/tanned hides as separate items in the Second Schedule. By this, tanning units will be regarded as manufacturing units and become eligible for the concessions available to new industries.

69. The turnover in respect of rice, wheat, sugar, kerosene and palmolien distributed under the Keala Rationing Order 1966 will be excluded, while calculating the quantum of registration fees payable under Section 14 of the KGST Act.

70. State is losing trade and tax on various items on account of the direct sales to the consumers of high valued consumer items, machinery etc. from other states. Further, it is seen that furnace oil and High Speed Diesel intended for sale within the State if first sent to outside the State and sold as interstate sales which causes loss of revenue. In order to curb this and to protect revenue, entry tax is proposed on the following items.

1. Furnace oil
2. High speed diesel
3. Computers, components and spares
4. Photocopier /Xerox
5. FAX machine
6. Scanning machine
7. Generator
8. Inverter
9. Other machinery

Additional revenue of Rs.5 crore is expected.

71. Banks and other financing institutions selling gold pledge with them will also be included in the definition of 'dealer' under the Kerala General Sales Tax Act. An additional revenue of Rs.60 lakh is anticipated.

72. It is seen that the entry tax imposed on cement, iron and steel has adversely affected the cement based and steel industries in the State. In order to help such industries, it is proposed to exempt the above industrial units in the State buying such goods from outside the State, for use as raw materials, from entry tax. Loss of revenue will be offset by increased production.

### **Concessions to the Agriculture Sector**

73. The unprecedented fall in the price of rubber has severely affected the agricultural sector. State Government have taken various measures to help the rubber growers to tide over the crisis created by the import and liberalisation policies of the Central Government. This has shown favourable results. To help the rubber growers further and to improve the agrarian sectors the following concessions are proposed: The rates of compounded tax payable on rubber under Section 13 of the Kerala Agricultural Income Tax Act, 1991 are proposed to be revised as follows:

Rupees		
Slab	Present Rate	Proposed Rate
Slab 1	750	600
Slab 2	1400	1100
Slab 3	2250	1800
Slab 4	3400	2700

Loss of revenue of 60 lakh is anticipated.

- 2 Chemically treated rubber wood will be included in the First Schedule to the KGST Act as a separate entry and subjected to tax @6%. By doing so, chemical treatment of rubber wood will be treated as manufacturing

activity and such units will become eligible for incentives to industrial units.

- 3 In order to promote coconut-based industries in the State coconut products (other than sweets, confectionery and other items specifically mentioned in the First Schedule) will be included as a separate entry in the Schedule and taxed at the rate of 4% instead of the existing 10% tax.
- 4 Coconut purchased for the manufacture of such products will be granted a concessional rate of 1 %, provided the products manufactured out of such coconut are liable to tax.
- 5 The definition of the term "New Industrial Undertakings" used in section 9(4) of the Kerala Agricultural Income Tax Act 1991 will be amended so as to exclude the plantation industries and other industries notified by Government from its purview from time to time. The industrial units which are ineligible for the concession will be notified separately.
- 6 The rate of agricultural income tax for domestic companies is proposed to be reduced from 65% to 60%.It is expected that the loss of revenue will be offset by increased production.

74. The additional resource mobilisation measures and the concessions will result in a net additional revenue of Rs. 3 17 Crore. As a result the final picture would be as follows.

*Rupees in crore*

	Revised Estimates 1997-98	Budget Estimates 1998-99
Revenue Receipts	7628.99	8677.79
Revenue Expenditure	9203.87	9623.78
Deficit	1574.88	945.99
Capital Receipts	1744.41	2044.29
Capital Expenditure	1665.15	1636.98
Surplus	72.26	407.31
Public Account (Net)	(+)500.84	(+)676.74
Overall Deficit/Surplus	(-)994.78	(+)138.06
Carry over Surplus/Deficit	(+)496.59	(-)498.19
Cummulative Deficit	(-) 498.19	(-) 360.13
Net yeild from A.R.M. (1998-99) measures		317.00
Expenditure on additional measures announced		72.60
Deficit (Net)	-	(-) 115.73

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

76. I am also presenting the Vote on Account for expenditure for four months from 1<sup>st</sup> April to 31<sup>st</sup> July 1998.

Thank You

## APPENDIX 1

### Referred to in Para 28 of the Budget Speech

#### Revision of fines compoundable under the Motor Vehicles Act 1988

SI No.	Sections of the Motor Vehicles Act of 1988	Description of the offence	Existing amount Rs.	Proposed amount Rs.
1	177	Violation of the provisions of the Motor Vehicles Act or Rules, Regulations or Notifications: If no penalty is specified elsewhere	50	75
2	178 (1)	Penalty for travelling without proper pass or ticket by a passenger in a stage carriage	50	100
3	178 (2)	Penalty against a conductor of a stage carriage for dereliction and negligence of duty	50	100
4	178 (3)	Penalty if the permit holder or the driver of a contract carriage refuses to ply the vehicle or carry passengers		
		(a) In the case of 2 or 3 wheeled vehicles	25	50
		(b) In the case of other vehicles	50	100
5	179	Penalty for disobedience of orders given by persons authorised to give such orders and refusal to give information and for causing obstruction	250	400
6	180	Penalty both on the owner and the person in charge of the vehicle for allowing unauthorised persons who do not hold a valid driving licence or under aged to drive the vehicle	50	250
7	181	Penalty for driving vehicles in contravention of section 3 or section 4 of the MV Act without a valid driving licence or under aged	250	100
8	182 (1)	penalty for driving a motor vehicle or applies for or obtains a driving licence during disqualification period:		
		(a) In the case of non transport vehicle	25	100
		(b) In the case of transport vehicle	100	250
9	182 (2)	Penalty for acts as a conductor or applies for or obtains a driving licence during disqualification period	20	50
10	183 (1)	Penalty for a driver who drives a motor vehicle at a speed exceeding the maximum limit prescribed under section 112 of the MV Act		
		(a) In the case of non transport vehicle	100	150

		(b) In the case of transport vehicle	200	300
11	183(2)	whoever causes any person employed by him to drive a motor vehicle at a speed exceeding the maximum prescribed		
		(a) In the case of non transport vehicle	75	150
		(b) In the case of transport vehicle	150	300
12	184	Penalty for a driver who drives a motor vehicle at a speed or in a manner which is dangerous to the public		
		(a) In the case of non transport vehicle	200	400
		(b) In the case of transport vehicle	400	800
13	186	Penalty for driving a motor vehicle when the driver is mentally or physically unfit to drive and likely to cause danger to the public	50	100
14	189	Penalty for offences of racing	250	500
15	190(2)	Penalty for driving motor vehicle which violates the standards prescribed for road safety, control of noise, and air pollution	No Rate	300
16	191	Penalty for selling a motor vehicle or altering a vehicle		
		In Contravention of the provisions of Chapter VII of the Act	250	400
17	192	Driving of vehicle without registration	100	200
		(a) In the case of non-transport vehicle		
		(b) In the case of transport vehicle	500	1000
18	194	Driving of vehicle exceeding the permissible weight	100	2000
19	196	Penalty for driving a vehicle without a valid insurance	100	250
20	198	Punishment for unauthorisedly entering a stationary vehicle or tampering with the mechanism of a vehicle	50	75

## APPENDIX 2

### Referred to in Para 61 of the Budget Speech Revision of application fee for permits under the Kerala Motor Vehicles Rules 1989

SI No.	KMV Rules 1989	Description	Existing Rate	Proposed Rate
	164	(a) Contract Carriages:		
1		(i) Autorikshaw, Motorised Cycle rikshaw Permit	125	250
2	do	(ii) Motor Cab Permit	125	500
3	do	(iii) Maxi Cab Permit	300	1000
		Temporary Permit (SRO 117/97 dt. 18.02.97)	100	200
4	do	(iv) Having 13 to 20 seats permit	300	1500
		Temporary permit	100	200
5	do	(v) Having more than 20 seats Permit	400	2000
		Temporary permit	150	500
6	Rule 164	(b) Private Service Vehicle Permit	250	500
7	Rule 164	(c) Goods Carriage Permit	400	1000
		Temporary Permit	150	250
8	Rule 164	(d) Stage Carriage Permit	350	2000
		Temporary Permit	100	250
9	Rule 164	(e) Special Permit under Section 88(8) of M. V. Act	100	250
10	234	Tourist permit under Section 88 (9)		
		(i) Tourist Motor Cab	300	1000
		(ii) Tourist Omni Bus	600	2000
11	235	National Permit for Goods Carriage	400	1500
	Rule 186	Recovery of sum in lieu of suspension of permit under Section 86 (5) of the Motor Vehicles Act 1988		
12	do	1. Stage Carriages:		

		(a) For plying on routes not authorised by the permit Minimum per day of suspension Maximum	500 5000	1000 10000
13	do	(b) Other offences Minimum per day of suspension Maximum	250 2000	500 4000
14	do	2. Goods Carriages: (a) For plying on routes not authorised by the permit Minimum per day of suspension Maximum	400 2000	1000 5000
15	do	(b) other offences Minimum per day suspension Maximum	200 1000	400 2000
16	do	3. Omni Bus covered by contract carriage permit: (a) for plying on routes not authorised by the permit or using the vehicle in any manner not authorised by the permit of for overload Minimum per day of suspension Maximum	500 4000	1000 8000
17	do	(b) Other offences Minimum per day of suspension Maximum	250 1000	500 2000
18	do	4. Vehicles covered by Private Service Vehicle Permits (a) For using the vehicle other than for which the permit is granted Minimum per day of suspension Maximum	500 4000	1000 8000
19	do	(b) For other offences Minimum per day of suspension Maximum	50 300	100 600
20	do	5. Other Vehicles for all offences (a) Motor Cab Minimum per day of suspension Maximum	100 500	200 1000
21	do	(b) Auto Rikshaw Minimum per day of suspension	100	200

		Maximum	500	1000
22	Rule 95(4)	Application fee for reservation of fancy registration numbers	1000	5000

### APPENDIX 3

#### One Time Tax For Motor Vehicles

#### Referred to in Para 61 of the Budget Speech

SI No	Type of Vehicle	Total tax for 15 years at the present rate	Total tax for 15 years including 50% increase proposed	Proposed tax rounded to the next multiplies of Rupees hundred
1	Motor cycles (including motor scooters and cycles with attachment for propelling the same by mechanical power) (a) Bi-cycles not exceeding 75cc (b) Bi-cycles exceeding 75cc with or without side car or drawing a trailer	1800 2400	NIL NIL	1500 2000
2.	Three wheelers (including tri-cycles and cycle rikshaws with attached for propelling the same by mechanical power) not used for transport of goods or passengers (a) Tri-cycles/cycle rikshaws (b) Three wheelers	1800 2400	NIL NIL	1500 2000
3	Motor Cars (a) Weighing not more than 750 kgs. unladen (b) Weighing more than 750 kgs but not more than 1500 Kgs unladen (c) Weighing more than 1500 Kgs. unladen	11400 15600 19200	17400 23400 28800	14000 18800 23100

#### APPENDIX 4

### Referred to in Para 61 of the Budget Speech Increase in Tax of Motor Cars

Rs.

SI No	Class of Vehicle	Existing Rate per Quarter	Proposed Rate per Quarter
1	Weighing not more than 750 Kg unladen	190	290
2	Weighing more than 750 Kg but not more than 1500 Kg unladen	260	390
3.	Weighing more than 1500 Kg. unladen	320	480

#### APPENDIX 5

### As mentioned in Para 62 of the Budget Speech Sales Tax Administrative Measures

1. The time limit for completing the assessments for the period upto the year 1993-94 expires on 31.3.98. But it may not be possible to complete all such assessments for want of sufficient number of officers. Therefore the following measures are proposed:

- a) The time limit for completion of assessments for the period up to the year 93-94 will be extended by 6 months from 31.3.98.
- b) Deputy Commissioners will be authorised to keep the assessments pending for sufficient reasons.
- c) In the case of dealers falling under the categories mentioned in Section 17(4) of the KGST Act, as it stood during 1995-96, provision will be made for treating assessments up to the year 95-96 as deemed to have been completed on 30.9.98.
- d) In order to protect the interest of revenue, provision will be incorporated for reopening such cases within 5 years from the date of assessment where escapement of turnover is noticed and provision to impose penalty at three times of the tax escaped would be incorporated.

- e) However dealers falling under this category would be permitted to file revised returns and pay balance tax for past years on or before 30.6.98.

2. It will be provided that all assessments other than the those falling under Section 17(4) of the KGST Act should be completed within 3 months from the date of checking of the accounts, which period would be extended up to 6 months with the permission of the controlling officer for sufficient reasons.

3. Time limit of one month will be fixed for issue of the appellate order after final hearing.

4. Provision will be made in the KGST Act requiring assessing and appellate authorities to pass speaking orders.

5. Time limit of three months will be fixed for the implementation of appellate/revision orders and the period will be computed from the last day prescribed for filing further appeal/revision against such order.

6. Provision will be made for issue of refund orders consequent on assessment/appellate/ revision orders along with the assessment order/modified order.

7. Reduction in interest on arrears allowed during the previous year as per Section 23A of the KGST Act till 31.12.97 would be extended for all arrears outstanding as on 1.4.98 till 31.12.98. Wide publicity will be given for the scheme.

8. Provision will be incorporated in the KGST Act authorising Deputy Commissioners to suspend registration of dealers who violate the conditions of registration or the provisions of the statute, including obstruction of officers in the conduct of inspection.

9. Provision will be made permitting the filing of revised return within a period of six months from the due date of filing of original return or along with the statement prescribed under Section 27A of the KGST Act.

10. Provision will be made for levying interest under section 23(3) from the due date for filing of return in the case of escapement of turnover.

11. Provisions of the Kerala Revenue Recovery Proceedings (Continuation and Validation Act) to the extent they are relevant for collection of arrears under the KGST Act will be incorporated in the KGST Act.

12. Provision in the KGST Act prohibiting civil courts from interfering with sales tax assessments will be enlarged prohibiting such courts from issuing stay orders against Sales Tax assessments or recovery of arrears.

13. Time limit for completion of assessment prescribed under Section 17(6) of the KGST Act would be made inapplicable to the assessment of dealers who have transacted business in the name of benamis.

14. Time limit prescribed under Section 19 of the KGST Act would be enhanced to 5 years and it would be made inapplicable to dealers who have transacted business in the name of benamis in relation to the assessment of the turnover relating to the benami business.

15. Assessing authorities will be permitted to grant a maximum of six instalments for the payment of any amount demanded under the KGST Act. But interest under Section 23(3) will be accrued.

16. Section 5C of the KGST Act will be made applicable to all works contract after 31.3.91 also. But it will be provided that where the turnover arrived at after making the deductions under clauses (b) and (c) of Section 5 C falls below the cost of materials, the turnover will be arrived at after adding the conceded gross profit to the cost of materials. Cost of establishment referred to in clause (c) (iv) will be restricted to that relatable to labour charges and service charges.

17. The rate of 2% and 5% respectively for civil and other contracts prescribed under section 7(7B) of the KGST Act for deduction by awarders will be made applicable only in respect of contractors who are registered dealers and in other cases it would be provided that deduction at the rate of 70% of the rates prescribed in the IV Schedule should be made.

18. In order to remove the difficulties faced by the contractors in complying with the requirement of furnishing certificates issued by awarders mentioned in section 7 (11) in respect of contracts executed prior to 1-4-1994 the condition will be waived in respect of such contracts provided the genuineness of the contract is otherwise proved or the contractor keeps true and complete accounts.

19. Tax deducted by awarder from the payment made to the contractor under section 7(7B) of the Act will be permitted to be paid over to government once in a month, instead of the remitting the same in seven days.

20. It has been noticed that the Government is losing revenue, on account of Trade mark/Brand name holders manufacturing and selling their products through Small Scale Industrial Units/Charitable institutions which enjoy exemptions. In such cases, it is proposed to levy tax treating the sale by the Trade mark/Brand name holders at first sale.

21. It has been observed that tax exemptions granted to new industrial units are being misused. The tendency of suppressing turnover especially aimed at enjoying the exemptions, above the prescribed limit are also widespread. It is proposed that those industries which engage themselves in such offences will be debarred from tax exemptions from the date of detection of the offence. But those units which are ready to admit the offence, and to compound the same, and pay compounding fee and twice the tax on the suppressed turnover will be allowed the benefits of tax exemptions.

22. Section 28A was introduced in the KGST Act with a view to prevent evasion of tax through undervaluation of goods. But desired results could not be achieved, as there was no provision to auction the goods purchased by Government. In order to rectify this, it is proposed to empower Sales Tax officials to sell away the undervalued goods purchased under the above provision through auction.

23. The term 'Notification' will be defined in the Sales Tax Act.

24. The officers confiscating goods and vehicles under section 30C of the KGST Act will be authorised to release the same if owners of the goods or vehicle or person in charge furnishes bank guarantee from any nationalised bank for the value of the goods and vehicles as estimated by the confiscating officer. Fee for appeal and revision under section 30C will be fixed as Rs. 100 and 250 respectively.

25. Under the cover of the change of definition of Khadi and Village Industries many industrial units are enjoying undue concessions. In order to control this, tax concession will be limited to the products manufactured by Khadi and Village Industrial units as notified by the Government whose turnover does not exceed Rs.25 lakh.

26. In order to make the checking of goods in transit more effective in suspected cases, goods may have to be unloaded and checked. For meeting loading and unloading charges necessary funds will be provided.

27. Steps including computerisation have already been taken for making the functioning of the Sales Tax offices including check posts, more efficient. Flying vigilance squad equipped with modern facilities with statewide jurisdiction will be formed for the detection of irregularities with a view to making the functioning of the department faultless and foolproof.

28. The Construction of Sales Tax Complexes at Thiruvananthapuram and Alapuzha districts will be started during this year.

## APPENDIX 6

### Referred to in Para 63 of the Budget Speech

#### Changes in the Schedules I and II to the KGST ACT FIRST SCHEDULE

Item No	Description of goods		point of levy	Present	Suggested
	Present Entry	Proposed Entry		Rate %	Rate %
7	Arecanut	Arecanut	No change	5	6
15	Bicycles	Bicycles	No change		
24	Cattle feeds (including gingili oil cake, groundnut oil cake rice bran and poultry feeds) other than those specifically mentioned in this schedule	Cattle feeds (including gingili oil cake, groundnut oil cake, tamarind seed, tamarind seed powder, husks of pulses, bran and poultry feeds) other than those specifically mentioned in this schedule	No change	6	6*
33A	Unclassified	Coconut products (other than sweets and confectionery and those specifically included under any other item in this	All the point of first sale within the state	10	4

		schedule)			
36	Coffee but not including coffee drink and french coffee (a) purchased within the state	(i) Coffee but not including coffee drink and french coffee (a) purchased with in State	At the point of last purchase within the state	4	4
47	Dry fruits	Dry fruits and wet dates	At the point of first sale within the state	10	10
56	Food including vegetative or animal preparation sold in air tight containers and food color essences of all kinds & powder used for making food preparations or beverages	Foods including vegetative or animal preparation sold in air tight containers and food colors, essences of all kinds and powders used for making food preparation	No change	12.5	12.5
64A	Granite metals produced by mechanised crushing units	Granite metals	No change	5	8**
95	Pepper	Pepper	No change	5	6
97(vA)	Aviation turbine fuel	Aviation turbine fuel	No change	15	20
108	Readymade garments, hosiery goods, napkins, and baby diapers	Ready made garments, hosiery goods, bed sheets, towels, pillow cover, napkins and baby diapers	No change	5	6
127C	Unclassified	Tamarind	at the point of 1st sale	10	4
132A	Unclassified	Tender coconut	At the point	10	4

		(a) purchased within the state	of last purchase within the state		
		(b) Brought from outside the state	At the point of first sale within the state	10	4
140	Toys of all kinds	Toys of all kinds	No change	8	10
143	Umbrellas and parts	No change	No change	5	6
148(I)	Watches, clocks, timepiece electronic or not	Watches, clocks, timepiece whether electronic or not, and	No change	8	10
(ii)	Watch strap made of leather or any other materials	their spare parts and accessories	No change	12.5	

\*Reduced rate of 3% will continue in respect of cattle feed manufactured by industrial units in co-operative sector, within the state.

\*\* Non mechanised crushing units within the state will be exempted from tax. Crushed metals will be omitted from entry 33 of the Third Schedule

## SECOND SCHEDULE

4	Hides and skins whether raw or dressed	10 Raw hides and skin			
		(a) purchased within the state	At the point of last purchase within the state	4	4
		(b) Brought from outside the state	At the point of 1st sale with the state	4	4
		(ii) Dressed	At the point of 1st	4	4

		hides and skin	sale within the state		
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