The Kerala Fiscal Responsibility Act, 2003

Act 29 of 2003

Keyword(s):
Annual Budget, Committee, Current Fiscal Deficit, Fiscal Indicators, Medium Term Fiscal Framework, Previous Revenue Deficit, Total Liabilities, Triggers

Amendments appended: 17 of 2011, 7 of 2018, 39 of 2021
THE KERALA FISCAL RESPONSIBILITY ACT, 2003

(ACT 29 OF 2003)

An Act to provide for the responsibility of the Government to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit and sustainable debt management consistent with fiscal stability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term fiscal frame work and for matters connected therewith or incidental thereto.

Preamble.- WHEREAS it is expedient to provide for the responsibility of the Government to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit and sustainable debt management consistent with fiscal stability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term fiscal frame work and for matters connected therewith or incidental thereto.

BE it enacted in the Fifty-fourth Year of the Republic of India as follows:-

1. Short title and commencement.- (1) This Act may be called the Kerala Fiscal Responsibility Act, 2003.

(2) It shall come into force, on such date as the Government may, by notification in the Gazette, appoint.

2. Definitions.- In this Act, unless the context otherwise requires,-

(a) ‘annual budget’ means the annual financial statement laid before the Legislative Assembly under article 202 of the Constitution of India;

(b) ‘committee’ means public expenditure review committee constituted under sub-section (1) of section 6.

(c) ‘current year’ means the year preceding the year for which the budget and medium term fiscal policy are being presented.

(d) ‘fiscal deficit’ means the excess of total expenditure of the Government over the total receipts and represents the borrowing requirements, and net of repayment of debt of the Government during the year, calculated as prescribed by the Comptroller and Auditor General of India;
(e) ‘fiscal indicators’ means measures such as numerical ceilings and proportions to gross state domestic products as may be prescribed for evaluation of the fiscal position of the State Government;

(f) ‘Government’ means Government of Kerala;

(g) ‘medium term fiscal framework’ means the frame work drawn up by the Government for a five year period from the financial year on which this Act shall come into force with the objective of progressively eliminating the Revenue Deficit;

(h) ‘prescribed’ means prescribed by rules under this Act;

(i) ‘previous year’ means the year preceding the current year;

(j) ‘revenue deficit’ means the difference between revenue expenditure and revenue receipts and implies increase in the liabilities of the State without corresponding increase in the assets of the State calculated as prescribed by the Comptroller and Auditor General of India;

(k) ‘State’ means the State of Kerala;

(l) ‘total liabilities’ means liabilities upon the Consolidated Fund and public account of the State;

(m) ‘triggers’ means the intra year bench marks on deficit.

3. Fiscal Policy Statement to be laid before the Legislative Assembly.- (1) The Government shall lay in every financial year before the Legislative assembly along with the annual budget, a medium term fiscal policy statement and a fiscal policy strategy statement.

(2) the medium term fiscal policy statement shall set forth a three year rolling target for fiscal indicators with specification of underlying assumptions.

(3) In particular and without prejudice to the provisions contained in sub-section (2) the medium term fiscal policy statement shall include assessment of sustainability relating to,-

(a) the balance between revenue receipts and revenue expenditure;

(b) use of capital receipts including open market borrowing for generating productive assets.

(4) the fiscal policy strategy statement shall, interalia, contain,-
(a) policies of Government for the ensuing financial year relating to taxation, expenditure, borrowings and other liabilities, lending and investment and such other activities like underwriting and guarantees which have potential budgetary implications;

(b) the strategic priorities of the Government for the ensuing financial year in the fiscal area;

(c) evaluation as to how current policies of the Government are conformity with the fiscal management principles as set out in section 4 and the objectives set out in medium term fiscal policy statement.

4. **Fiscal management Principles**.- (1) The Government shall take appropriate measures to reduce the revenue deficit and build up an adequate revenue surplus by following such principles as may be prescribed.

(2) In particular and without prejudice to the generality of the foregoing provision the Government shall reduce revenue deficit to ‘nil’ within a period of four years commencing from 1st April, 2003 and ending on 31st March 2007 and,-

(a) build up surplus amount of revenue and utilize such amount for discharging liabilities in excess of assets;

(b) reduce fiscal deficit to 2% of the estimated gross state domestic product within a period of four years commencing from 1st April, 2003 and ending 31st March 2007.

5. **Measures for Fiscal Transparency**.- (1) The Government shall take suitable measures to ensure greater transparency in its fiscal operations and minimize as far as practicable in public interest official secrecy in the preparation of annual budget:

Provided that the Government shall have the power to reserve any such information which would adversely affect the interest of the State Exchequer.

(2) In particular and without prejudice to the generality of the foregoing provision the Government shall at the time of presentation of annual budget disclose in such manner as may be prescribed,-

(a) the significant changes in the accounting standards, policies and practices affecting or likely to affect the compliance of the prescribed fiscal indicators;

(b) as far as practicable, all outstanding contractual liabilities, revenue demand raised, but not realized, committed liability in respect of major works and supply contracts, losses incurred in providing public goods and services, off budget borrowings and contingent liabilities created by way of guarantees having potential budgetary implications.
6. *Public Expenditure Review Committee.*—(1) As soon as may be after the commencement of the Act, the Government may, by notification in the Gazette appointed a Committee to be called ‘Public Expenditure Review Committee.’

(2) The Committee shall consists of not more than five members who are having expertise in the fields of Finance, Economic Management, Planning, Accounts and Audit and Law.

(3) The members of the Committee shall be appointed by the Government on the recommendation of the Selection Committee consisting of Chief Minister, Finance Minister and the Leader of the Opposition.

(4) The terms and conditions of the members in the Committee shall be such as may be prescribed.

7. *Powers and functions of the Committee.*—The Committee shall submit to the Government in such form and at such intervals as may be prescribed a review report giving full account of each item where the deviation from the fiscal target have occurred during the previous year.

8. *Measures to enforce compliance.*—(1) The Government shall specify in the annual budget the contingent measures that it would take to control the increase in deficit beyond certain specified levels during the coming year. Whenever there is either shortfall in revenue or excess of expenditure over specified levels during the course of the year, the Government shall take steps either to make proportionate reduction in the voted expenditure authorised from the Consolidated Fund or to increase the revenue and in case such reduction being made it shall be without affecting the amount charged thereon. Triggers as well as corrective actions that shall be initiated upon activation of triggers shall also be the integral part of the budget.

(2) The Finance Minister of the State shall make a statement in the Legislative Assembly explaining any deviation in meeting the obligation of the Government under this Act and shall further explain whether the deviation is substantial and relates to the actual or the potential budgetary outcome and state the remedial measures that the Government propose to take in this regard.

9. *Power to make rules.*—The Government may, by notification in the Gazette, make rules for the purpose of carrying into effect the provisions of this Act.

(2) Every rules made under this Act shall be laid, as soon as may be after it is made, before the Legislative Assembly while it is in session for a total period of fourteen days which may be comprised in one session or in two successive sessions and if, before the expiry of the session in which it is so laid or the session immediately following, the Legislative Assembly makes any modification in the rule or decides that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no
effect, as the case may be; so however that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

10. Protection of action taken in good faith.- No suit, prosecution or other legal proceeding shall lie against the Government or the Committee or any Officer of the Government or any member of the Committee for anything which in good faith done or intended to be done under this Act or the rules made thereunder.

11. Application of other laws not barred.- The Provisions of this Act shall be in additions to and not in derogation of the provisions of any other law for the time being in force.

12. Removal of difficulties.- (1) If any difficulty arises in giving effect to the provisions of this Act, the Government may, by order, do anything not inconsistent with such provisions to remove such difficulty.

(2) No order under sub-section (1) shall be made after the expiration of a period of two years from the commencement of this Act.

(3) Every order made under this section shall be laid, as soon as may be after it is made before the Legislative Assembly.
THE KERALA FISCAL RESPONSIBILITY (AMENDMENT) ACT, 2011


Preamble.—Whereas, it is expedient to amend the Kerala Fiscal Responsibility Act for the purposes hereinafter appearing;

Be it enacted in the Sixty-Second Year of the Republic of India as follows:—

1. Short title and commencement.—(1) This Act may be called the Kerala Fiscal Responsibility (Amendment) Act, 2011.

(2) It shall be deemed to have come into force on the 1st day of April, 2011.

2. Amendment of Section 4.—In section 4 of the Kerala Fiscal Responsibility Act, 2003 (29 of 2003), for sub-section (2), the following sub-section shall be substituted, namely:—

“(2) In particular and without prejudice to the generality of the foregoing provision, the Government shall, by reducing the revenue deficit in the years 2011-12, 2012-13, 2013-14 and 2014-15 in the order of 1.4 per cent, 0.9 per cent, 0.5 per cent and zero per cent, respectively, of the gross state domestic product, reduce the revenue deficit to ‘nil’ within a period of four years commencing on the 1st April, 2011 and ending with the 31st March, 2015 and shall,—

(a) build up surplus amount of revenue and utilise such amount for discharging liabilities in excess of assets;

(b) reduce the fiscal deficit to 3 per cent of the estimated gross state domestic product within a period of three years commencing on the 1st April, 2011 and ending with the 31st March, 2014 by maintaining the fiscal deficit at a level not exceeding 3.5 per cent of the gross state domestic product in the years 2011-12 and 2012-13 and reducing it to 3 per cent in 2013-14;

(c) reduce the State’s total debt liabilities to 29.8 per cent of the estimated gross domestic product within a period of four years commencing on the 1st April, 2011 and ending with the 31st March, 2015 by reducing the total debt liability in the years of 2011-12, 2012-13, 2013-14 and 2014-15 to the order of 32.3 per cent, 31.7 per cent, 30.7 per cent and 29.8 per cent respectively of the gross state domestic product.”.
GOVERNMENT OF KERALA

Law (Legislation-A) Department

NOTIFICATION

No. 5904/Leg.A1/2018/Law. 31st March, 2018

Dated, Thiruvananthapuram, 17th Meenam, 1193
10th Chaithra, 1940.

In pursuance of clause (3) of article 348 of the Constitution of India, the Governor of Kerala is pleased to authorise the publication in the Gazette of the following translation in English language of the Kerala Fiscal Responsibility (Amendment) Act, 2018 (7 of 2018).

By order of the Governor,

B. G. HARINDRANATH, Law Secretary.
ACT 7 OF 2018

THE KERALA FISCAL RESPONSIBILITY (AMENDMENT) ACT, 2018

An Act further to amend the Kerala Fiscal Responsibility Act, 2003.

Preamble.—Whereas, it is expedient further to amend the Kerala Fiscal Responsibility Act, 2003 for the purposes hereinafter appearing;

Be, it enacted in the Sixty-ninth Year of the Republic of India as follows:—

1. Short title and commencement.—(1) This Act may be called the Kerala Fiscal Responsibility (Amendment) Act, 2018.

(2) It shall be deemed to have come into force on the 1st day of April, 2017.

2. Amendment of Section 4.—In section 4 of the Kerala Fiscal Responsibility Act, 2003 (29 of 2003) (hereinafter referred to as the principal Act), for sub-section (2), the following sub-section shall be substituted, namely:—

“(2) In particular and without prejudice to the generality of the foregoing provision, the Government shall eliminate the revenue deficit completely during the period from 2017-2018 to 2019-2020 and shall,—

(a) build up surplus amount of revenue and utilise such amount for discharging liabilities in excess of assets;

(b) maintain the fiscal deficit to 3 per cent of the Gross State Domestic Product during the period from 2017-2018 to 2019-2020;

Note:—(i) State shall be eligible for additional reduction of 0.25 per cent over and above this, for any given year for which the borrowing limits are to be fixed if the ratio between the Gross State Domestic Product and debt is less than or equal to 25 per cent in the preceding year;
(ii) State may further be eligible for additional borrowing limit of 0.25 per cent of Gross State Domestic Product in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 per cent of the revenue receipts in the preceding year;

(iii) If anyone of the above said criteria is fulfilled, the State may utilise the said concessions either separately or if both are fulfilled the said concessions together may be utilized by the State. The maximum ratio between the fiscal deficit and Gross State Domestic Product in a prescribed year may be up to 3.5 per cent to the State accordingly;

(iv) The reductions in availing the additional limit under either of the two options or both will be available to the State only if there is no revenue deficit in the year in which borrowing limits are to be fixed and in the immediately preceding year.

The ‘additional fiscal space’ availing in such manner shall be utilised for the State share of the Centrally Sponsored Schemes.

(c) reduce the total debt liabilities of the State in the years of 2017-2018, 2018-2019 and 2019-2020 in the order of 30.40 per cent, 30.01 per cent and 29.67 per cent respectively of the Gross State Domestic Product.". 
നിയമ (നിയമനിർമ്മാണ-എ) വകുപ്പ്

This is a digitally signed Gazette.
Authenticity may be verified through https://compose.kerala.gov.in/
2021-ലെ 39-ാം ആക്റ്റ്

2021-ലെ കൃത്യ പൂർവസൃഷ്ടിയായ കൃത്യസംബന്ധിത (എലിക്കൽ) ആക്ക്

2003-ലെ കൃത്യ പൂർവസൃഷ്ടിയായ കൃത്യസംബന്ധിത ആക്ക് പ്രഖ്യാപിക്കുന്ന

എലിക്കൽ ആഭിച്ചിയ ആക്ക്

2003-ലെ കൃത്യ പൂർവസൃഷ്ടിയായ കൃത്യസംബന്ധിത ആക്ക് (2003-ലെ 29)

കൃത്യസംബന്ധിത കൃത്യസംബന്ധിത ആക്ക് ഉത്തരവാദിത്ത ആക്ക്

2021-ലെ 39-ാം ആക്കുന്ന ആവശ്യങ്ങൾ

മൊത്തം ല്യുണ്ടിക പ്രസ്താവനത്തിൽ

2019-2020 സാമ്പുത്തിക വർഷം

2021-ലെ 39-ാം ആക്കുന്ന ആവശ്യങ്ങൾ

1. കൃത്യാവകാഭ എല്ലാവരും

2. 4-ാം വകുപ്പിൻറെ ശതമാനം

3. "എന്നാൽ, 2019-2020 സാമ്പുത്തിക വർഷം

This is a digitally signed Gazette.
Authenticity may be verified through https://compose.kerala.gov.in/
“(നമ്പരം) കണക്ക് 2020-21 കണക്കിലെ മാസമെടുത്ത മാസക്കേട്

അനുസരിച്ചാണ് നാടാമത്തീയ ദീപാര്‌പന വികസന സംഘത്തിനു, കാരണം—

“(നമ്പരം) കണക്ക് 2020-21 കണക്കിലെ മാസമെടുത്ത മാസക്കേട്

അനുസരിച്ചാണ് നാടാമത്തീയ ദീപാര്‌പന വികസന സംഘത്തിനു, കാരണം—

“(നമ്പരം) കണക്ക് 2020-21 കണക്കിലെ മാസമെടുത്ത മാസക്കേട്

അനുസരിച്ചാണ് നാടാമത്തീയ ദീപാര്‌പന വികസന സംഘത്തിനു, കാരണം—

“(നമ്പരം) കണക്ക് 2020-21 കണക്കിലെ മാസമെടുത്ത മാസക്കേട്

അനുസരിച്ചാണ് നാടാമത്തീയ ദീപാര്‌പന വികസന സംഘത്തിനു, കാരണം—

“(നമ്പരം) കണക്ക് 2020-21 കണക്കിലെ മാസമെടുത്ത മാസക്കേട്

ഇവ സംസ്ഥാനത്തെ പ്രധാനാധ്യാപകർക്കും അതിനു പുറപ്പെട്ട സംസ്ഥാനത്തെ ആധിപത്യക്കാർക്കും സംസ്ഥാനത്തെ അധിപ്തരാധികാരക്കുമായി അനേകം നാല് സംവിധാനങ്ങളിലെ നിബന്ധനകളാണ്

3. റദ്ദാക്കലും ഒഴിവാക്കലും—(1) 2021-ൽ നടന്ന സാമ്പത്തിക വർഷം (ഒന്നാം) വരത്തിന്റെ (2021-ൽ 102) കണക്കുകൾ അവലോകനം ചെയ്തു.

(2) സാമ്പത്തിക സംവിധാനത്തിന്റെ (സാമ്പത്തിക) ആരംഭത്തിന്റെ (2021-ൽ 102) കണക്കുകൾ അവലോകനം ചെയ്തു.
GOVERNMENT OF KERALA

Law (Legislation-A) Department

NOTIFICATION

No. 10783/Leg. A1/2020/Law. Dated, Thiruvananthapuram, 14th November, 2021
29th Thulam, 1197
23rd Karthika, 1943.

In pursuance of Clause (3) of Article 348 of the Constitution of India, the Governor of Kerala is pleased to authorise the publication in the Gazette of the following translation in English Language of the Kerala Fiscal Responsibility (Amendment) Act, 2021 (39 of 2021).

By order of the Governor,

V. HARINAI, 
Law Secretary.
ACT 39 OF 2021
THE KERALA FISCAL RESPONSIBILITY (AMENDMENT) ACT, 2021

An Act further to amend the Kerala Fiscal Responsibility Act, 2003.

Preamble.—WHEREAS, it is expedient further to amend the Kerala Fiscal Responsibility Act, 2003 (29 of 2003) for the purposes hereinafter appearing;

BE it enacted in the Seventy-second Year of the Republic of India as follows:—

1. Short title and commencement.—(1) This Act may be called the Kerala Fiscal Responsibility (Amendment) Act, 2021.

(2) Clause (a) of section 2 shall be deemed to have come into force on the 26th day of February, 2020 and clause (b) shall be deemed to have come into force on the 17th day of May, 2020.

2. Amendment of section 4.—In the Kerala Fiscal Responsibility Act, 2003 (29 of 2003) (hereinafter referred to as the principal Act), in section 4,—

(a) to clause (b) of sub-section (2), the following proviso shall be inserted, namely:—

“Provided that the State shall be eligible for additional borrowing of Rs. 1471 crore as a onetime special dispensation in the financial year 2019-2020 beyond fiscal deficit of 3 per cent of the Gross State Domestic Product. This additional borrowing under onetime special dispensation shall be utilised during the financial year 2019-2020 itself.”.

(b) after clause (b) of sub-section (2), the following clause shall be inserted, namely:—

“(ba) State shall maintain the fiscal deficit to 3 per cent of the Gross State Domestic Product during the financial year 2020-21. State shall be eligible for additional borrowing of 2 per cent of Gross State Domestic Product for the financial year 2020-21 in
addition to the fiscal deficit of 3 per cent of Gross State Domestic Product subject to the condition of four specific State level reforms implementation of One Nation One Ration Card System, Ease of doing business reforms, Urban Local body/Utility reforms and Power sector reforms. The aforesaid additional borrowing shall be utilised during the financial year 2020-21.

Note:—(i) Weightage of each State level reform is 0.25 per cent of Gross State Domestic Product totaling to one per cent additional borrowing;

(ii) The remaining borrowing limit of one per cent will be available in two installments of 0.50 per cent each to the State. The first installment of 0.50 per cent shall be available to the State as untied and the second installment on undertaking at least three out of the aforesaid four State level reforms.”.

3. Repeal and saving.—(1) The Kerala Fiscal Responsibility (Amendment) Ordinance, 2021 (102 of 2021) is hereby repealed.

(2) Notwithstanding such repeal, anything done or deemed to have been done or any action taken or deemed to have been taken under the principal Act as amended by the said Ordinance shall be deemed to have been done or taken under the principal Act as amended by this Act.