



**KARNATAKA LEGISLATIVE ASSEMBLY
FOURTEENTH LEGISLATIVE ASSEMBLY
THIRD SESSION**

**THE KARNATAKA FISCAL RESPONSIBILITY (AMENDMENT)
BILL, 2014**

(L.A. Bill No. 39 of 2014)

A Bill further to amend the Karnataka Fiscal responsibility Act, 2002.

Whereas it is expedient further to amend the Karnataka Fiscal Responsibility Act, 2002 (Karnataka Act 16 of 2002) for the purposes hereinafter appearing;

Be it enacted by the Karnataka State Legislature in the Sixty fifth year of the Republic of India as follows:-

1. Short title and commencement.- (1) This Act may be called the Karnataka Fiscal Responsibility (Amendment) Act, 2014.

(2) It shall come into force at once.

2. Amendment of section 2.- In the Karnataka Fiscal Responsibility Act, 2002 (Karnataka Act 16 of 2002), in section 2,-

(i) in clause (c), item (ii) and explanation there under shall be omitted; and

(ii) in clause (g), after the words "the public account of the State", the words "and shall also include borrowings by the Public Sector Undertakings and the Special Purpose Vehicles and other equivalent instruments where the principal and/ or interest are to be serviced out of the State Budget." shall be inserted.

STATEMENT OF OBJECTS AND REASONS

It is considered necessary to amend the Karnataka Fiscal Responsibility Act, 2002 to provide for,-

- (a) redefinition of "Fiscal Deficit" by omitting Item (ii) and the explanation thereunder in clause (c) of section 2 of the Act to bring it on the lines of the Fiscal Responsibility and Budget Management Act, 2003 (Central Act 39 of 2003) and also with the Finance Commission's reports; and
- (b) inclusion of the Off Budget Borrowings that are to be repaid from the State Government's budget in the definition of the term "Total Liabilities" in clause (g) of the section 2 of the Act to provide true picture of sustainability of debt.

Hence the Bill.

FINANCIAL MEMORANDUM

There is no extra expenditure involved in the proposed legislative measure.

SIDDARAMAIAH
Chief Minister and
Minister for Finance

P. OMPRAKASHA
Secretary
Karnataka Legislative Assembly

ANNEXURE**Extract from the Karnataka Fiscal Responsibility Act, 2002 (Karnataka Act No. 16 of 2002)****XX****XX****XX****2. Definitions.- XX****XX****XX**

(c) "Fiscal Deficit" means the excess of –

- (i) total disbursements from the Consolidated Fund of the State (excluding repayment of debt) over total receipts into the Fund excluding the debt receipts during a financial year; or
- (ii) total expenditure from the Consolidated Fund of the State (including loans but excluding repayment of debt) over own tax and non-tax revenue receipts, devolution and other grants from Government of India to the State, and non-debt capital receipts during a financial year which represents the borrowing requirements, net of repayment of debt, of the State Government during the financial year;

Explanation: For the purpose of calculation of fiscal deficit, borrowings by Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments where liability for repayment is on the State Government are to be treated as borrowings of the Government.

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(g) "Total Liabilities" means the liabilities under the Consolidated Fund of the State and the public account of the State.

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