



**KARNATAKA LEGISLATIVE ASSEMBLY  
FIFTEENTH LEGISLATIVE ASSEMBLY  
NINTH SESSION  
(Adjourned Meeting)**

**THE KARNATAKA FISCAL RESPONSIBILITY (AMENDMENT) BILL, 2021  
(LA Bill No. 18 of 2021)**

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 seventy second 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, 2021.

(2) It shall come into force with effect from the first day of April, 2021.

**2. Amendment of section 4.-** In the Karnataka Fiscal Responsibility Act, 2002 (Karnataka Act 16 of 2002), in section 4, in sub-section (3), after the sixth proviso, the following shall be inserted, namely:-

“Provided also that, the fiscal deficit during the financial year 2021-22 shall not exceed four percent of estimated Gross State Domestic Product:

Provided also that, during the financial year 2021-2022, the State revenue deficit may arise due to slow recovery of the economy to the Pre Covid-19 levels:

Provided also that, during the financial year 2021-22, the total Liabilities may exceed twenty five percent of the estimated Gross State Domestic Product”.

**STATEMENT OF OBJECTS AND REASONS**

It is considered necessary to amend the Karnataka Fiscal Responsibility Act, 2002 (Karnataka Act 16 of 2002), provide for,-

- (i) Arise of the fiscal deficit up to four percent of the estimated Gross State Domestic Product for the year 2021-2022.
- (ii) the revenue deficit may arise due to slow recovery of the economy to the pre-covid-19 levels during the year 2021-2022.
- (iii) the total liabilities may exceed Twenty Five percent of the estimated Gross Domestic Product for the year 2021-2022.

Hence the Bill

**FINANCIAL MEMORANDUM**

There will be increase in principal and interest liability based on the amount that will be borrowed.

**B.S. YEDIYURAPPA**  
Chief Minister

**M.K. VISHALAKSHI**  
Secretary (I/c)  
Karnataka Legislative Assembly

**ANNEXTURE**  
**THE KARNATAKA FISCAL RESPONSIBILITY ACT, 2002**

xx

xx

xx

**4. Fiscal Management Principles.- (1)**

xxx

xxx

xxx

(3) In particular, and without prejudice to the generality of the foregoing provisions, the State Government shall –

(a) reduce revenue deficit to nil within a period of four financial years beginning from the initial financial year on the 1st day of April, 2002 and ending on the 31st day of March, 2006;

(b) reduce revenue deficit as a percentage of Gross State Domestic Product (GSDP) in each of the financial years beginning on the 1st day of April, 2002, in a manner consistent with the goal set out in clause (a);

(c) reduce fiscal deficit to not more than three per cent of the estimated gross state domestic product within a period of four financial years beginning from the initial financial year on the 1st day of April, 2002 and ending on the 31st day of March, 2006;

(d) reduce fiscal deficit as a percentage of Gross State Domestic Product (GSDP) in each of the financial years beginning on the 1st day of April, 2002 in a manner consistent with the goal set out in clause (c);

(e) not to give guarantee for any amount exceeding the limit stipulated under the Karnataka Ceiling to Government Guarantees Act, 1999 (Karnataka Act 11 of 1999);

(f) ensure within a period of thirteen financial years, beginning from the initial financial year on the 1st day of April, 2002, and ending on the 31st day of March, 2015; that the total liabilities at the end of the last financial year do not exceed twenty five per cent of the estimated gross state domestic product for that year;

(g) ensure that the outstanding debt at the end of financial year 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 shall be at 26.2 percent, 26 percent, 25.7 percent, 25.4 percent and 25.2 percent respectively of the estimated Gross State Domestic Product for that year;

Provided that revenue deficit and fiscal deficit may exceed the limits specified under this sub-section due to ground or grounds of unforeseen demands on the finances of the State Government due to national security or natural calamity, subject to the condition that the excess beyond limits arising due to natural calamities does not exceed the actual fiscal cost that can be attributed to the calamities;

Provided further that the fiscal deficit during the year 2008-09 may exceed the limit up to 3.5 percent of estimated Gross State Domestic Product as a part of economic stimulus package. The additional market borrowings availed under the limits so relaxed shall be used for undertaking capital expenditure during the year 2008-09. As a measure of compliance an accompanying Report with details and stating the likely impact of such capital expenditure shall be placed before both the Houses of the Legislature

Provided also that the fiscal deficit during the financial year 2009-10 shall not exceed four percent of estimated Gross State Domestic Product.

Provided also that the fiscal deficit during the year 2010-11 may exceed the limit but not more than 3.44 percent of estimated Gross State Domestic Product as a part of counter recessionary measures. As a measure of compliance a report with details of measures taken and expenditure incurred thereby shall be placed before both Houses of the Legislature.

Provided also that the fiscal deficit during the financial year 2020-21 shall not exceed five percent of estimated Gross State Domestic Product;

Provided also that, during the financial year 2020-21, the state revenue deficit may arise due to reduction of receipts as a result of Covid Pandemic.

Provided further that the ground or grounds specified in the first proviso shall be placed before the House of Legislature, as soon as may be, after it becomes likely that such deficit amount may exceed the aforesaid limits, with an accompanying report stating the likely extent of excess, and reasons therefore.

xxx

xxx

xxx