

The Finance Minister, Shri Raghavji, presented the budget for the financial year 2004-05 in Madhya Pradesh Vidhan Sabha today. The net deficit for the year is expected to be Rs. 286.66 crore. A summarized account of the financial position presented by the Finance Minister for 2004-05 is as follows:

(Rs in crore)

|                                      | <b>Receipts</b> | <b>Expenditure</b> | <b>Deficit (-) or Surplus (+)</b> |
|--------------------------------------|-----------------|--------------------|-----------------------------------|
| Revenue Account                      | 17251.97        | 18261.15           | (-) 1009.18                       |
| Capital Account                      |                 | 5683.49            | (-) 5683.49                       |
| Net Public Debt                      | 6305.18         |                    | (+) 6305.18                       |
| Loans and Advances                   | 47.41           | 416.44             | (-) 369.03                        |
| Net from Public Account              | 469.86          |                    | 469.86                            |
| <b>Total Transaction of the year</b> | <b>24074.42</b> | <b>24361.08</b>    | <b>(-) 286.66</b>                 |

- The financial year opened with a negative balance of Rs. 986.19 crore as per the revised estimate (RE) of year 2003-04. However, as per the pre-actuals of AG, the opening balance would be close to zero. This is due to higher revenue receipts in the last quarter of year 2003-04. Consequently, the closing balance for year 2004-05, i.e. Budgetary Deficit would be between Rs 250 to 300 crore, part of which would be covered by additional resource mobilization.
- The revenue deficit has been brought down to Rs. 1009.18 crore in 2004-05, while the revenue deficit as per revised estimate for the 2003-04 is Rs 5204.17 crore.
- Similarly the fiscal deficit has been scaled down to Rs. 7061.70 crore in the year 2004-05, while as per the revised estimate for the last year the fiscal deficit is at Rs. 8488.71 crore. Moreover, this year 50% of fiscal deficit would be utilized for infrastructure development, while 30% of fiscal deficit is due to payment of loans taken by the State Electricity Board for capital expenditure. Thus quality of fiscal deficit of this year is substantially different from the fiscal deficit of the previous year, which is indicative of better fiscal management.
- Of the State Plan outlay, allocation for the Normal Plan is Rs 4055 crore, for Tribal Sub Plan Rs 1497 crore and for Special Component Plan the allocation is Rs 779 crore. Besides allocation of 275 crore from Reserved Fund is has also been made. The state plan outlay is Rs 6606 crore. The Government of India and other institutions would make available other plan resources of Rs. 1184 crore. In this way the total plan size for the year is at Rs 7791 crore. The total plan size is 18% higher than the plan size of the last year (RE). Allocation for the Tribal Sub Plan has increased by 40% in comparison to the allocation last year.
- Plan Capital expenditure has been increased to Rs 3530.68 crore in 2004-05 as against Rs. 2966.12 crore in the RE of last financial year.
- In the first two months of current financial year, there has been an increase of 42% in revenue receipts under the transparent new excise policy over the corresponding period last year. Similarly revenue collection from registration & stamp has gone up by 33% and from commercial tax by 22% in the first two months of the current fiscal year. As against tax revenue receipts of Rs. 6633.20 crore in RE of last year, this year additional tax revenue of Rs 1164 crore is expected.
- **Electricity:** The government is paying special attention on improving power situation in the state. In last rabi season adequate electricity was supplied to farmers. A major programme for installing additional power generation capacity and reducing transmission and distribution losses is under implementation. By July 2005, additional power generation of 920 MW is expected from Indira Sagar, Sardar Sarover & Ban Sagar Tons hydroelectric projects. Rehabilitation of residents of Harsud town, which was pending for years has been completed in 6 months.
- The State Government has taken over liabilities of Electricity Board owed to Rural Electrification Corporation and a provision of Rs 1600 crore has been made in the Budget for the discharge of the liabilities. The State government is also considering to assume the liability of repayment of bonds floated by the Electricity Board. Provision of Rs 500 crore has been made in Budget for this purpose. As a result, the total liabilities of State Electricity Board would come down substantially enabling it to

obtain loans from the market easily. These efforts of State government would accelerate power sector reforms.

- **Roads:** As against provision of Rs 576 crore for roads and bridges in the last year's Budget estimates, this year provision of Rs 717 crore has been made in the budget. This year about 6000 km roads would be upgraded. In addition 3500 km rural roads would be constructed at a cost of Rs 600 crore. For Garland & Radial Road Projects, 21 road corridors have identified. The work would commence on this project this year.
- With a view to increasing private investment in the road sector, decision has been taken to form Madhya Pradesh Road Development Corporation. The Corporation would implement ADB road project for construction of 24 roads of 1700 km length and road projects of 2000 km, which are being implemented by the State Bridge Corporation at present. Provision of Rs 10 crore has been made for equity capital of the Corporation. Rs 80 crore from Mandi Road Fund & Rs 200 crore from the market loans for Bond-BOT road projects would also be mobilized of construction of road this year.
- **Irrigation:** A target for increasing irrigated area to 50% from 39% in five year has been set by the State government. Capital outlay of Rs 1567 crore has been made in the budget for irrigation, which is 44% more than the outlay of Rs 1090 crore last year. Under the accelerated irrigation benefit programme, a sum of Rs. 492 crore for water resource department and Rs 567 crore for Narmada valley development department has been provided. In addition Rs 310 crore obtained from the NABARD would also be spent on the irrigation projects. A target for creating 1.15 lakh hectare irrigation capacity this year has been set. A water sector restructuring project of Rs 1919 crore with the assistance of World Bank is also proposed.
- **Education:** Annual Plan of Rs 1130 crore under Sarva Shiksha Abhiyan for the current year has been approved, which is Rs 362 crore more than the outlay in the last year. This year 36000 teachers would be appointed on contract basis. Modified Mid-day Meal Scheme has been started from 1<sup>st</sup> July this year. Several schemes are being started for promoting girl education in the state. In addition to opening 25 residential schools for girls in predominantly tribal areas, uniforms would be given to girl students free of cost. An incentive scheme for meritorious students has also been started. Under another scheme, cycles would be given to girls belonging to schedule castes, schedule tribes and families living below the poverty line, who have taken admission in 9th standard and do not have a secondary school in their village. It is estimated that 50 thousand girls would benefit from the scheme. For addressing the problem of shortage of teaching staff in medical colleges, decision has been taken to create 221 posts.
- **Health:** Special provisions have been made in the budget for improving health indicators and providing facilities for safe delivery. Free transportation facility to the hospital would be given to women who are below the poverty line for safe delivery. It would be ensured that mother and child are retained in the hospital for 3 days after the delivery. An amount of Rs. 23 crore has been provided for this purpose. For dealing with the problem of shortage of specialists in hospitals, doctors would be appointed on contract basis and rationalization of posts would be carried out in hospitals.
- "Pt. Denndayal Samarth 2004 Yojana" would be launched for disabled persons in the state from September 25.
- A scheme for providing grant of Rs. 5000 for marriage of daughters of the extremely poor schedule caste families would be started.
- Gram Sachivalaya (Village Secretariat) arrangement for local resolution of people's problems would be started at block, sub-block and village levels from August 1.
- Dearness allowance of Shiksha Karmi would be increase by 28% points from August 2004. Now they will get 210% dearness allowance. This would cause additional expenditure of Rs. 16 crore to the exchequer.

## **New Tax Proposals**

- For discouraging use of tobacco-less pan masala and gutka, commercial tax is being hiked to 20% from 12%.
- Entry Tax on pan masala and gutaka containing tobacco would be levied at 20%
- Tax on tendu leaf is being hiked to 22% from 20%
- Entry Tax of 2% on imported timber.
- With a view to making taxation procedure simple, purchase tax of 1.5% on soyabean is proposed on manufacturers. There will be no commercial tax on oil extracted from such soyabean. At present 4% commercial tax is payable on oil.
- Composition fee of Rs 750 would be levied on imported crude edible oil.
- For the sake of uniformity, tax on detergent category would be 12%, same as for washing soap
- Tax exemption on sale of canteen stores by the canteen store department is being withdrawn.
- Entry Tax on edible oil being increased to 1% from 0.5%

## **Stamp & Registration**

- Exemption to primary housing societies on land-sale deeds for purchase of land for residential purposes withdrawn.
- Stamp duty at the rate of 0.5% on unattested documents of hypothecation and pledging of movable properties of value more than Rs 50,000
- Stamp duty of Rs 100 is payable on guarantees of loans. Agreement documents on guarantees would be levied stamp duty at the rate of 0.5% (on amounts exceeding Rs 50,000) on guaranteed amount.
- 1% stamp duty on rent deeds valid for less than one year and 2% stamp duty on rent deeds valid for 1-3 years.

## **Excise**

- Franchise fee of Rs 2.50 on 650 ml, quart bottle of beer manufactured under franchisee system.
- Import duty at the rate of Rs 5 per bulk litre on special liquor

## **Transport**

- General period for surrender of vehicle permit would be restricted to 45 days in a year. Application fee for surrender of permit would be Rs 200 for one month or part thereof, Rs 800 for two months or part thereof and Rs 1000 per month for surrender of over two months.
- Provision for operating sleeper coach would be made and Rs 230 per seat per month would be charged for the sleeper coach.

- System of lifetime tax on 7+1 seater vehicles is being abolished. Rs 300 per seat per quarter would be charged for operating such vehicles as passenger carriers.
- 1% motor vehicle tax on new tractors. Tractors, which are of less than 10 years vintage would have the option of paying Rs 1000 as lifetime tax or paying Rs 200 per year. No tax would be levied on tractors older than 10 years. The amount collected would be spent on rural roads
- Motor vehicles of up to 12 passengers capacity operating without permit are liable to pay tax at the rate of Rs 1000 per seat per month or its part and vehicles of over 12 passenger capacity, Rs 1500 per seat per month.
- After rationalization, classification of goods carriers would be in 10 categories instead of 17 categories at present.
- 6% life time tax on crane, crusher, JCB, bulldozer, dumper and loader type vehicles.
- The identified nationalized routes would be denationalized and revenue realized from this would be made available for improvement of bus fleet of M.P. State Road Transport Corporation and infrastructure.

#### **Tax Concession**

- No tax on agarbatti and dhoop. 2% entry tax on import of agarbatti in Madhya Pradesh
- Singhada to be taken out from the list of kirana items and there would be no tax on it.
- At present concession of 1% stamp duty on full value of property is given when the property is transferred to women, in which their share is 50 % or more. After rationalization of this provision, now the concession in stamp duty would be available only to the extent of the share of the property being transferred to women, at the same time concession in stamp duty is being increased to 2 %.
- Excepting manufactures and importers, limit for mandatory obtaining of sales tax number is being increased to Rs 2.5 lakh from the present limit of Rs 1.0 lakh.
- **The above proposals are expected to yield net additional revenue of Rs 173.76 crore.**