

# Press Note

Bhopal, dated 21<sup>st</sup> February, 2006

The Finance Minister, Shri Raghavji, today presented Budget for the year 2006-07, which showed a budgetary deficit of Rs. 48.55 crore. The following are the salient features of the budget.

(Rs. in crore)

Item	Receipts	Expenditure	Deficit (-) / Surplus (+)
Revenue Account	23480.19	22509.97	<b>970.22</b>
Capital Expenditure	-	5168.54	
Net Public Debt	5169.58		
Loans & Advances	43.69	719.04	
Net Public Account	-75.75		
<b>Total Transaction of the year</b>	<b>28617.71</b>	<b>28397.55</b>	<b>220.16</b>
Opening Balance			<b>-268.71</b>
Closing Balance			<b>-48.55</b>

- Through this Budget, Government takes another step forward in fulfilling the promises it made to the people. The Budget reflects the priorities of the Government – roads, irrigation, power, education and health. It also focuses on girls' education with a view to enabling them to participate in the development process. The fact that the State has not resorted to over draft in the last two years and also ways and means advances this year vouches for the improved day-to-day fiscal management. Another significant achievement is revenue surplus after a period of 13 years and these surpluses are being utilised for much needed capital expenditure. A unique feature of this Budget is the Medium Term Fiscal Policy Statement and fiscal targets set therein till 2009-10. This effort shows the determination of the Government in ensuring funds for the development projects in a transparent and time bound manner.
- The total revenue receipts for the year 2006-07 are estimated to be Rs. 23480.29 crore, comprising of Rs. 10029.46 crore State's own tax revenue, Rs. 7015.17 crore of Central Tax Devolution, Rs. 2059.08 crore of State's non-tax revenue and Rs. 4376.48 crore of Central Grants. The State's own tax revenues are estimated to grow at 12.27% compared to 2005-06 (RE).
- The revenue expenditure for the year 2006-07 is estimated to be Rs. 22509.97 crore as against Rs. 21369.90 crore for the year 2005-06(RE) showing increase of Rs. 1140.07 crore.
- **Better fiscal management:** The revenue surplus for the year 2006-07 is Rs. 970.22 crore against a revenue deficit of Rs. 25.49 crore for the year 2005-06(RE). Revenue surplus has been achieved after 13 years. After a period of 32 years, the State has not resorted to Ways and Means Advances even for a day during the year 2005-06 so far.
- The opening balance for the year 2006-07 is estimated to be (-) Rs. 268.71 crore. The net transaction of the year is estimated to be Rs. 220.16 crore. Thus, the closing balance at the end of the year 2006-07 would be (-) Rs. 48.55 crore and this gap would be covered with additional resource mobilisation and economy measures.
- The fiscal deficit for the year 2006-07 is estimated to be Rs. 4873.67 crore as against Rs. 4768.90 crore for the year 2005-06(RE).
- Madhya Pradesh Rajkoshiya Uttardayitva Avam Budget Prabandhan Adhiniyam, 2005 came into effect from 1st January 2006 and Madhya Pradesh Rajkoshiya Uttardayitva Avam Budget Prabandhan Niyam, 2006 came into effect 30 January 2006. As per the Act, Macroeconomic Framework statement, Medium Term Fiscal Policy Statement, Fiscal Policy Strategy Statement and other disclosure Statements have been laid in the Vidhan Sabha.
- The plan expenditure for the year 2006-07 is Rs. 10397.74 crore as against Rs. 9605.52 crore for the year 2005-06(RE). The plan expenditure consists of Rs. 9069.62 crore of State Plan for the year 2006-07. The Tribal Sub-plan for the year 2006-07 is Rs. 1963.40 crore as against Rs. 1773.10 crore for the year 2005-06(RE). The Special Component Plan for the year 2006-07 is Rs. 1102.27 crore as against Rs. 920.83 crore for the year 2005-06(RE).

- **Power:** An amount of Rs. 503 crore have been provided to increase the generation capacity. During the year 2006-07, Rs. 344.20 crore has been provided for strengthening and up gradation of transmission system and Rs. 260 crore for strengthening and up gradation of transmission of sub transmission system.
- **Roads:**
  - Under the second phase of ADB programme, 1270 Kms of roads would be laid. During the year 2006-07, Rs. 195 crore for rural roads (NABARD), Rs. 93 crore for roads under CRF, Rs. 52 crore for roads under TFC and Rs. 192 crore for others has been provided.
  - Under the BOT (bond) scheme, three new roads of length 256 Kms at a cost of Rs. 144 crore would be taken up.
  - During the year, 1000 rural roads of length 5000 Kms at a cost of Rs. 1000 crore would be taken up.
  - An amount of Rs. 429 crore is provided for maintenance of roads.
  - Under the Vishwakarma Building Renovation Campaign, an amount of Rs. 265 crore has been provided for maintenance of public buildings.
- **Irrigation:** An amount of Rs 1908 crore, which includes Rs. 1071 crore for AIBP is provided. A provision for 275 irrigation projects has been provided in the budget. During the first three years of Tenth Five Year Plan, about 2.82 lakh hectares of irrigation potential has been created. An additional capacity of 1.80 lakh hectares would be created by June 2006.
- **Education:** Emphasis on primary education. Under the Sarva Shiksha Abhiyan an annual plan for Rs. 1800 crore is envisaged , which is more than Rs. 507 crore compared to 2005-06 (RE). To improve attendance and retention in the school, additional resources have been provided for the Mid-day meals programme. Girls studying in I – VIII grades in all the remaining 29 development blocks would be provided free school uniform. All the girls admitted to IX, residing in the villages, not having high school would be provided free bicycles. Under this scheme about 79,000 girl students would be benefited during the year 2006-07. For the Students belonging to families below poverty line free textbooks would be supplied under Book bank scheme. It is proposed to up-grade 50 high schools and 174 middle schools. For the construction of these schools Rs 19.48 crore has been provided.
- It is proposed to upgrade 38 pre-matric tribal schools to Schools of Excellence.
- It proposed to set up two tribal hostels with a capacity of 50 seats each. In order to encourage education among girls, 50 new pre matric hostels would be set up and the capacity of present pre-matric hostels would be increased by 2000 seats. It is also proposed to take up construction of buildings for 25 high schools and 50 higher secondary schools.
- In order to provide a better academic environment in the educational institutions meant for Scheduled Caste students, an amount of Rs. 23.45 crore has been made for completion of buildings under-construction of existing 119 Institutions and construction of new buildings for 35 institutions.
- **Health:** In order to ensure institutional deliveries 1200 staff nurse posts would be created and the same would be filled. It is also proposed to upgrade 500 primary and community health centers and 1200 ANM posts would be created to provide delivery facility round the clock. Another 1000 ANM posts would be created to ensure at least one ANM in each inaccessible sub-health center. A provision of Rs. 5.29 crore has been made to upgrade buildings of 11 district hospitals. A provision of Rs. 45.13 crore has been made for the construction of buildings of 161 primary health centers and 366 sub-health centers. An amount of Rs. 5 crore has been provided initially for establishment of a new Medical College in Sagar.
- **Agriculture and rural development:** It is proposed to constitute Jan Abhiyan Samitis at the district level in order to increase the people's participation in the development activities and a provision Rs. 2.70 crore has made for this purpose. A provision of Rs. 182 crore has been made for financial restructuring of the co-operative institutions as per the recommendation of the Vaidhynathan Committee.
- An amount of Rs. 15 crore has been provided for **Gokul Gram Yojana**.
- **Employment guarantee scheme** – This programme is implemented in 18 districts from 2nd February 2006. An amount of Rs. 140 crore as State share for the programme.
- **Industry:** An amount of Rs. 1500 crore of private investment has taken place in heavy and medium industries in the State. To facilitate the establishment of auto testing track in Pithampura, 4,000 acres of land would be provided. Four units with an investment of Rs. 200 crore have been started in the Special Economic Zone.
- An amount of Rs. 65 crore has been provided for the development of Bhopal, Jabalpur, Indore and Ujjain under Jawaharlal Nehru National Urban Renewal Mission. It is proposed to take up the infrastructure development especially, solid waste management in the cities. An amount of Rs. 32 crore is provided for Slum development.

- The budget provision for Tourism has been doubled. In order to connect the places of tourist interest with good roads a provision of Rs 55 crore has been made. To facilitate the expansion of Bhopal and Indore Airports, a provision of Rs. 12.40 crore has been made for land acquisition. A provision Rs. 16.75 crore has been for Tourism infrastructure development.
- A provision of Rs. 5 crore has been made for the **Deendayal Antyodaya Mission** under which financial assistance is provided for marriage of girls, who are orphan and /or from poor families, widows and abandoned.
- **Panchayat Puraskar Yojana:** In order to reward Panchayats which are free of crime and where the gram Panchayat representative are elected on a consensual basis due to community effort, an amount of Rs. 2.40 crore has been provided.
- Government employees and pensioners would be given additional 3-percentage points D.A. and relief respectively and would be given additional installments during 2006-07 as per revision of rates announced by the Central Government.
- Shiksha Karmis would be given an increase in D.A. of 20 percentage points
- Honorarium of Panchayat Karmis has been increased by Rs. 350 per month.
- Rs 20 increase in daily honorarium of voluntary home guards and other voluntary ranks.
- A provision of Rs. 400 crore has been made in the budget for these benefits to employees.

#### • **TAXATION / EXEMPTIONS**

- VAT to be introduced from 1st April 2006.
- In addition to 10 items exempted last year, Janeu (Sacred thread), Kite, sabai grass and rope made of it exempted from tax.
- Food grains exempted from VAT
- The rates of tax under VAT system would be introduced as determined by the Empowered Committee of Government of India.
- Tobacco is injurious to health. Hence, with a view to discouraging its consumption the entry tax on Cigar, Cheroot, Cigarette and tobacco cigarillo increase from 8% to 10%. Additional revenue of Rs. 4 crore is estimated.
- Entry tax on tobacco mixed pan masala and guttka increased from 20% to 25%. An additional revenue of Rs. 5 crore is estimated.
- At present Pan masala except tobacco mixed pan masala and guttka attract 23% commercial tax and 1% entry tax thus, totaling 24% of tax. On introduction of VAT, this would be 12.5% of entry tax.
- A 5% entry tax on raw materials(except limestone) to be used in the manufacturing of cement that is stock transferred is proposed to be levied, save limestone. In order to encourage inter state sale, the central sale tax on cement would be reduced from 4 to 2 percent. Additional revenue of Rs. 25 crore is estimated.
- Mortgage documents relating to loans taken from banks by self-help groups upto 10 lakh will be exempt from Stamp Duty.
- Mortgage documents relating to loans taken from banks for agricultural purpose upto Rs. 10 lakh will be exempt from Stamp Duty without any limit of the land holding and the documents holding related to Rs 10 lakh above will carry a Stamp Duty of one percent. This will be revenue neutral.
- At present, transfer deeds related to on-going concerns attract Stamp duty at the rate of 8 percent of market value. Thus, the movable assets plant, and machinery of on-going concerns would attract Stamp Duty at the rate of 8 percent as is applicable to immovable property. Because of these high duties there is difficulty in execution of document relating to merger and acquisition of companies. Hence, it is proposed to reduce Stamp Duty from 8 percent to 1 percent for plant, machinery and other movable property in case of transfer of a going concern and limit the extent of Stamp Duty to Rs. 10 crore on any individual documents. There is no revenue loss to the Government.
- At present rooms in hotels with Rs. 60 tariff per day are exempted from the luxury tax, a 5 per cent tax is levied on rooms with the tariff of Rs. 150 per day and a 10 percent tax is levied on rooms with a tariff of more than Rs. 150 per day. In order to encourage tourism industry the limit of luxury tax exemption would be increased upto Rs. 500. On the rooms with a tariff from 500 to Rs. 1000 a 5 per cent luxury would be levied and the rooms above Rs. 1000 tariff a 10 percent would be levied.
- At present for new hotels a five years luxury tax exemption is available for 5 years. In order to encourage constructions of new hotels and to attract more tourists the luxury exemption would be provided for eight years to the hotels making an investment of Rs. 1 crore or more.