

ANNUAL REPORT

2012-2013

FINANCE DEPARTMENT

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Brief Note on the Functioning of Finance Department

1. Introduction:

Finance Department is one of the departments of the Karnataka Government Secretariat. Presently the Hon'ble Chief Minister is holding the portfolio of Finance, while the Hon'ble Excise Minister is holding the portfolio of Excise and Hon'ble Minister of Adult Education, Public Library, Small Savings is holding the portfolio of Small Savings. The Additional Chief Secretary to Government is the Head of the Department. The Additional Chief Secretary is assisted by the Principal Secretary (B&R), Secretary (Expenditure), Director, FPI & FPAC, one Additional Secretary, Controller (Accounts Management), two Joint Secretaries, nine Deputy Secretaries, four Special Officers one Head of Legal Cell, 18 Under Secretaries and 33 Section Officers besides Group C and D employees.

The following Departments/Corporations come under the administrative control of the Finance Department:

- 1) Commercial Taxes Department, Gandhinagar, Bangalore
- 2) Excise Department, Vokkaligara Bhavan, Bangalore
- 3) Karnataka Government Insurance Department, V.V. Tower, Bangalore
- 4) Pension, Small Savings and Asset-Liability Monitoring, Bangalore
- 5) State Accounts Department, Cauvery Bhavan, Bangalore
- 6) Internal Finance
- 7) Karnataka State Finance Corporation, General Thimayya Road, Bangalore
- 8) Karnataka State Beverages Corporation Ltd., Seetha Lakshmi Tower, Bangalore.

ANNUAL REPORT OF THE COMMERCIAL TAXES
DEPARTMENT FOR THE YEAR 2012-13

1. INTRODUCTION :

The Commercial Taxes Department (C.T.D) administers the following nine enactments :-

- 1) The Karnataka Value Added Tax Act, 2003.
- 2) The Karnataka Sales Tax Act, 1957
- 3) The Central Sales Tax Act, 1956.
- 4) The Karnataka Agricultural Income Tax Act, 1957.
- 5) The Karnataka Entertainments Tax Act, 1958.
- 6) The Karnataka Tax on Luxuries Act, 1979.
- 7) The Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976.
- 8) The Mysore Betting Tax Act, 1932.
- 9) The Karnataka Tax on Entry of Goods Act, 1979.

2. ORGANISATION :

The Commercial Taxes Department is headed by the Commissioner of Commercial Taxes at the State level. He is assisted by 7 Additional Commissioners and 5 Joint Commissioners in the head office. For effective administration of the department, the functions of the Department are broadly divided into three categories :-

- a) Administration;
- b) Enforcement and Vigilance; and
- c) Appeals;

In all, there are 14 Additional commissioners including 4 in the Karnataka Appellate Tribunal(Adcoms) 41 Joint Commissioners (JCs), 123 Deputy Commissioners (DCs), 317 Asst. Commissioners (ACs), 522 Commercial Tax Officers (CTOs) and other officers 12 and 6272 Non Gazetted staff, totaling 7302 permanent

and temporary posts in the Department. The number of sanctioned posts, number of working staff and number of vacant posts are furnished in Annexure – 1.

2.1 Administrative Wing :

The State is divided into 13 VAT administrative divisions and 1 Minor Acts Division of which the headquarters of 6 VAT divisions and Minor Acts Division are in Bangalore City. Headquarters of other 7 divisions are located at Mysore, Mangalore, Shimoga, Dharwar, Belgaum, Davanagere, and Gulbarga. The VAT divisions are headed by the Divisional VAT officers (officer of the rank of Joint Commissioner) to administer the VAT Act and other Minor Acts. Administration relating to Minor Acts in Bangalore is entrusted to the Joint Commissioner (Minor Acts), Bangalore.

The Department has three Zonal Additional Commissioners, at the State level located in Bangalore, to examine and take up in revision such orders made by JCCT (Admn) and JCCT (Appeals) that are found to be incorrect and prejudicial to the interest of revenue. For better Co-ordination between the trade bodies and the department, Divisional Level Consultative Committees consisting of representatives of trade and industry and senior officers of the Department, have been constituted in all the Divisions.

2.2 Enforcement and Vigilance wing :-

To prevent evasion of tax and to detect tax evasion, the department has 8 Enforcement Zones. These are South Zone, North Zone, East Zone, West Zone, Bellary, Mysore, Hubli and Shimoga Zones with headquarters at Bangalore, Belgaum, Gulbarga, Mangalore, Bellary, Mysore, Hubli and Shimoga respectively. Each Enforcement Zone is headed by a Joint Commissioner of Commercial Tax who is responsible for Intelligence and other related activities including road vigilance within their respective jurisdictions. South Zone is headed by an Additional Commissioner. In Bangalore City, however, where the volume of movement of goods is high there is a separate vigilance division. An Officer of the rank of Joint Commissioner heads this division.

To curb the clandestine transportation of goods and evasion of tax thereon, 15 border static check-posts and 6 intermediate static check – posts and 1 temporary static check-posts and 35 Mobile check posts / squads have been established in the State. Static check-posts are set up at inter – state borders and around important commercial centres. Mobile check-posts and squads are deployed in prominent trade centres. Static check-posts as well as the mobile check-posts/squads function round the clock.

Administration relating to KST and Minor Acts are entrusted to the Joint Commissioners (Admn.) Divisional VAT Office, in their respective Divisions.

2.3 Appellate wing

The orders or any proceedings under the taxation enactments administered by the Department cannot be challenged directly in any of the civil or criminal courts. The relevant laws contain provisions for first appeal by the aggrieved person before the designated appellate authorities. Accordingly, for each VAT Division, there is an Appellate Authority of the rank of Joint Commissioner. Thus there are 13 JCCT Appeals.

Persons aggrieved by the orders of the Appellate Authority may prefer second appeal before the Karnataka Appellate Tribunal. At present there are 4 benches for Commercial Tax disputes in the Tribunal. Each Tribunal bench consists of two members, one of whom is from the Department of Commercial Taxes, of the rank of the Additional Commissioner and the other from the judiciary of the rank of a Senior District Judge.

3. REVENUE RECEIPTS ;-

During the year 2011-12 an amount of Rs. 28000.08 (as per A.G) crores was collected under all Acts. For the year 2012-13 (upto December 2012), such amount collected (as per the Department) is Rs.22673.72 crores.

3.1. Total Revenue Receipts of Commercial Taxes during the past five years are as follows:-

Table-1 (Rs. in Crores)

Year	NetRevenue Realized (Rs. in crore)	Annual G.R. (%)
2008-09	16645.17	7.03
2009-10	17966.11	7.94
2010-11	22697.49	26.34
2011-12	28000.08	23.36
2012-13 (Dept. figures upto Dec.12)	22673.72	16.48

3.2 Tax concessions / Reliefs and Additional Resource Mobilization measures:

From April, 2012, while continuing with tax exemption on paddy, rice, wheat, pulses and products of rice and wheat, tax exemption was extended to brailee watches. Further, tax concession was extended to ready to cook chapathi and parota, un-ginned raw cotton, dry chillies, surgical footwear, black boards, jewellery and articles of gold and other noble metals, precious and semi-precious stones, works contract of manufacture of readymade garments and embroidery work, furnace oil sold to foreign going vessels and naphtha. With effect from 1.4.2012, VAT on tobacco products was increased from 15% to 17% and VAT at 5% was levied on plastic woven fabrics. The rates of Value added Tax were raised from 14% to 14.5% and from 5% to 5.5% with effect from 01-08-2012. It is estimated that these enhanced rates would fetch an additional revenue of Rs.660.00 crores in the year 2012-13.

3.3 Registration :

The number of registered dealers in the State under VAT Act are as follows:

As on	31.03.2009	31.03.2010	31.03.2011	31.03.2012	31.12.2012
No. of registered dealers	401817	416265	397078	444470	470815

3.4 Act wise performance:

3.4.1. The Karnataka Value Added Tax Act, 2003

The VAT Act was introduced with effect from 1.4.2005 and is applicable to all commodities except petrol, ATF, diesel and sugarcane on which the earlier Karnataka Sales Tax Act is still applicable.

The revenue collected under this Act for the last five years is as follows

(The figures as per A.G.Accounts up to 2011-12).

Table : 2 :

(Rs. in Crores)

Year	Total collection of Tax	Growth Rate
2008-2009	9758.57	6.94
2009-2010	11041.12	13.14
2010-2011	14593.22	31.17
2011-2012	18058.36	23.74
2012-13 (Dep.fig. upto Dec.2012)	15967.38	17.32

3.4.2 The Central Sales Tax Act, 1956

CST applicable on inter-State sales of goods was planned to phase out beginning from the year 2007-08. Accordingly, Government of India reduced the general CST rate from 4% to 3% with effect from 1.4.2007 and to 2% with effect from 1.6.2008.

On account of this, there was a loss of about Rs.207.49 crores in the year 2007-08, Rs.752.51 crores in the year 2008-09, and Rs.1354.19 crores in the year 2009-10. Government of India had agreed to compensate the consequential revenue loss to the State for the years 2007-08, 2008-09 and 2009-10 as per the guidelines announced by it. Subsequently, on requests by the States, the Government of India has extended CST loss compensation package of 2010-11 with certain conditions and the package for 2011-12 and 2012-13 is yet to be announced. On submission of claims made by the State Government, the Central Government has released a sum of Rs.207.49 crores for the year 2007-08, Rs.752.81 crores for the year 2008-09 and Rs.1353.87 crores for the year 2009-10 and Rs. 609.36 for the year 2010-11. Tax collection under CST in past five years is as follows (The figures as per A.G.Accounts

up to 2011-12 and is only cash collection and excludes CST paid by way of adjustment of excess input tax credit available to the dealers under VAT Act).

Table : 3 : (Rs. in Crores)

Year	Total collection of Tax	Growth Rate
2008-2009	1048.77	- 16.90
2009-2010	936.96	- 10.66
2010-2011	874.09	- 6.71
2011-2012	926.08	5.95
2012-2013 (as per dept upto Dec.12)	766.83	31.34

3.4.3 The Karnataka Sales Tax Act, 1957

Revenue receipts from this source, during the past 5 years are as follows: (The figures as per A.G.Accounts up to 2011-12). With effect from 1st April, 2012, Sales tax on diesel was reduced from 18% to 16.75%.

Table : 4 : Sales Tax collection (Rs. in Crores)

Year	Net Revenue realized	Annual G.R. (%)
2008-09	3815.39	8.80
2009-10	3860.36	1.18
2010-11	4764.09	23.41
2011-12	6035.57	26.69
2012-2013 (as per dept upto Dec.12)	4514.06	13.48

4. ARREARS :

During the year, every possible effort was made by the department to collect as much arrears of tax as possible. By the end of December 2012, an amount of Rs. 330.67 crores of old arrears was collected. The balance of old arrears of Rs. 1988.62 crores as on 31-12-2012 under all Acts are as in Annexure – II.

5. APPEALS:

During the year 2011-12, the total number of appeal cases pending under all Acts, with JCCTs (Appeals) in the State was 24415 of which 6562 cases were disposed leaving a balance of 17853 cases. The majority of cases pertain to KST , CST & VAT Acts.

The information relating to opening balance, disposal and pendency of appeal cases under KVAT, KST & CST Acts during the last 5 years are given below.

Table 5 :

Year	2008-09	2009-10	2010-11	2011-12	2012-13 (upto Dec.12)
Opening Balance					
a) KST	2671	3201	4420	770	698
b) CST	674	927	1303	1453	2087
c) VAT	2454	3942	6480	13702	14178
Receipts					
a) KST	2510	2559	206	286	96
b) CST	897	1130	998	1825	1046
c) VAT	6350	7393	12507	10682	3598
Total					
a) KST	5181	5760	4626	1056	794
b) CST	1571	2057	2301	3278	3133
c) VAT	8804	11335	18987	24384	17776
Disposal					
a) KST	1980	1340	3856	358	165
b) CST	644	754	848	1191	951
c) VAT	4862	4855	5285	10206	6147
Balance (Closing)					
a) KST	3201	4420	770	698	629
b) CST	927	1303	1453	2087	2182
c) VAT	3942	6480	13702	14178	11629

6. THE KARNATAKA ENTERTAINMENTS TAX ACT, 1958

Collection :

During the year 2011-2012, an amount of Rs.119.34 crores was collected under this Act and during the year 2012-13 (Upto December, 2012) an amount of Rs.109.88 crores has been collected, which is 25.62% over and above the previous year's collection. Details of collections under each of the minor Tax Act over the last five years are furnished in Annexure-III.

7. THE KARNATAKA AGRICULTURAL INCOME TAX ACT, 1957

Collection:

During 2011-12 an amount of Rs.15.24 crores was collected under this Act. For the year 2012-13 (upto Dec.2012) an amount of Rs.21.84 crores has been collected.

Relief:

Partnership firms are exempted from agricultural income tax.

8. KARNATAKA TAX ON PROFESSIONS, TRADE, CALLINGS AND EMPLOYMENTS ACT, 1976.

During 2011-2012, revenue collected under this Act was Rs.606.66 crores. For the year 2012-13 (upto Dec 2012) an amount of Rs.509.46 crores has been collected.

9. THE KARNATAKA TAX ON LUXURIES TAX ACT, 1979

During the year 2011-2012, an amount of Rs.244.37 crores was collected under this Act. During the year 2012-2013 (upto Dec 2012), an amount of Rs.191.95 crores has been collected recording a growth of 8.03% over the previous year's collections.

Additional Resource Mobilization measure:

From 1st April, 2012, luxury tax at 10% has been levied on all types of marriage halls, seminar halls and convention halls.

10. THE KARNATAKA TAX ON ENTRY OF GOODS ACT, 1979.

Entry Tax is levied on goods which are brought into a local area for use, sale on consumption therein. During the year 2011-2012, an amount of Rs.1845.25

crores was collected. During the year 2012-2013 (upto Dec.2012), an amount of Rs.1597.03 crores has been collected recording a growth of 19.27% .

11. THE MYSORE BETTING TAX ACT, 1932.

During the year 2011-2012, the revenue collection under this Act was Rs.121.22 crore and in 2012-2013 (upto Dec.2012) the revenue collection is Rs.96.13 crore. From 1st April, 2012, the minimum lumpsum tax payable by private bookmakers has been enhanced.

**12. TRAINING IMPARTED DURING THE YEAR 2012-13
(up to December 2012)**

Sl.No	Subject and Venue of Training	From - to	Number of Officers/Officials
1	Probationary Officers Training	01.04.2012 to 31.12.2012	38 (ACCTs & CTOs)
2	Magagement and Development Programme	01.04.2012 to 31.12.2012	90 Officers
3	Magagement and Development Programme	01.04.2012 to 31.12.2012	843 Officials

13. COST OF COLLECTION OF REVENUE:

Revenue realised and expenditure incurred by the Department in the administration of the different Acts during the last five years shows that the revenue realisation has registered a steady increase from year to year, while the administrative expenditure has been relatively low. During the year 2008-09, an expenditure of Rs.136.23 crores was incurred which works out to 0.82%. During the year 2009-10 expenditure incurred is Rs.153.97 crores, which works out to 0.85% of the total collections. During the year 2010-11, expenditure incurred is Rs.171.74 crores, which works out to 0.75% of the total collections. During the year 2011-12, expenditure incurred is 196.05 Crores, which works out to 0.70% of the total collections. During the current year (upto December 2012) the expenditure is Rs.177.82 Crores which worksout to Rs.0.78%.

Revenue Collection & expenditure incurred by the Department from 2008-09 to 2012-13 are as shown below:-

Table : 6 : Revenue from Commercial Taxes and Cost of Collection (Figures as per AG Accounts upto 2011-12)

(Rs. in Crores)

Year	Revenue realised under all Acts	Expenditure (including Admn.) & Computerisation	% of Expenditure to the revenue realised
2008-2009	16646.00	136.23	0.82
2009-2010	17966.11	153.97	0.85
2010-2011	22697.49	171.74	0.75
2011-2012	28000.08	196.05	0.70
2012-13 (upto Dec.12)	22673.72	177.82	0.78

14. **E-GOVERNANCE INITIATIVES**

The Commercial Taxes Department has adopted in the previous financial year several innovative e-governance initiatives for providing convenience to tax payers and there by improve tax compliance. The prominent among them are as follows:

- (i) Facility for applying for Registration through Internet.
- (ii) Facility of filing return electronically through internet.
- (iii) Facility of making electronic payment and compliance reconciliation of such payments.
- (iv) Facility of declaring electronically details of goods movement from and into the State through internet.
- (v) Facility of declaring electronically details of transit of goods through the state through internet.
- (vi) Facility of filing of Profession Tax returns through internet.

In addition to the above, during this financial year the following initiatives have been put in place to further strengthen internal control mechanism to ensure effective and transparent tax administration.

i. **e-CAS (Comprehensive Audit System):**

This provides for electronic trail of all the stages of audit of self assessments made by the dealer right from the stage of allotment of returns for scrutiny to assignment of cases for audit to passing of final assessment orders by the audit officers to the outcome of any appeal filed against such orders. The audit officers are required to keep log of each stage on the system, upload orders for which unique numbers are

generated to bring total accountability and make the entire process tamper proof.

- ii. e-DCB (Demand, Collection and Balance) module:

This facility ensures correct and prompt recording demands raised in each case, its collection and balance so that it could be monitored for prompt revenue realization.
- iii. e-Enforcement module:

This enables correct recording of the functions carried by the enforcement officers and monitor the outcome to bring in accountability of the process.
- iv. e-Grievance Redressal system:

This enables registered dealer to raise grievances electronically and track the status of their redressal.
- v. e-GRAHAK:

This enables a citizen to complain or provide information to the Commercial Taxes Department about tax evasion by a dealer through SMS and track the status of action taken on this online.
- vi. Facility of Automatic generation of 'C' form: The dealers have been now enabled to download CST forms electronically after furnishing relevant information without the need of the approval of any departmental authority. By this there is no scope for any delay and there is total transparency in service delivery.
- vii. Facility for electronic Payment of other taxes :

Tax payers under Luxury Tax, Entertainment Tax and Betting Tax Acts are also now given the facility of electronic payment of taxes so as to reduce their cost of compliance and reduce mistakes in reconciliation of payments made through other modes.
- viii. Facility of electronic Returns and other taxes:

Luxury Tax and Entertainment Tax payers are now provided facility of filing the returns electronically.

15. CITIZEN'S CHARTER :

I. Vision of CTD

- To build an atmosphere that encourages and incentivises self-compliance of tax laws and to mobilise revenue in an efficient manner while maintaining equity.

II. Mission of CTD

- To re-engineer the processes of the department, help the State Government to formulate policies so as to improve self-compliance by the dealers, maximize tax collection efficiency keeping in view, the imperatives of growth and equity and to re-orient the approach and enhance morale of the personnel.

III. The department makes the commitment of providing services at the door steps of the tax payers, completely adopting e-governance, increasing tax collection efficiency and creating a compliant system to redress and monitor tax payers' and public grievances.

In addition, the department has brought the following services under 'Sakala' and ensured their delivery within the time specified.

- (1) Registration will be issued under the KVAT Act, 2003 within 15 working days from the date of submission of application
- (2) No due Certificate will be issued under the KVAT Act, 2003 within 15 working days from the date of submission of application
- (3) Registration will be issued under the Central Sales Tax Act, 1956 within 15 working days from the date of submission of application
- (4) "C" form will be issued under the Central Sales Tax Act, 1956 within 10 working days from the date of submission of application.
- (5) "H" form will be issued under the Central Sales Tax Act, 1956 within 10 working days from the date of submission of application.
- (6) "F" form will be issued under the Central Sales Tax Act, 1956 within 10 working days from the date of submission of application.
- (7) "E-1" & "E-2" form will be issued under the Central Sales Tax Act, 1956 within 10 working days from the date of submission of application.

- (8) Registration will be issued under the Karnataka Luxury Tax Act, 1979 within 15 working days from the date of submission of application.
- (9) Permit will be issued under the Karnataka Entertainments Tax Act, 1958 within 15 working days from the date of submission of application.
- (10) Registration will be issued under the Karnataka Tax on Professions, Trades, Callings and Employments Acts, 1976 within 15 working days from the date of submission of application.

ANNEXURE – I

Cadre wise sanctioned and working strength of the Department as on 31-12-2012

Sl.No.	Designation	Sanctioned	Working					Vacant
			Male	Female	Total	SC	ST	
1.	C.C.T	01	01	-	01	-	-	-
2	Addl.C.C.T	14	14	-	14	-	02	-
3.	J.C.C.T.	41	38	01	39	04	03	02
4.	D.C.C.T	123	111	07	118	22	08	05
5.	A.C.C.T	317	244	28	272	51	09	45
6.	C.T.O/P.T.O.	522	404	49	453	68	17	69
7	Other Officers	12	12	-	12	-	-	-
8	Total Gazetted	1030	824	85	909	145	39	121
9	Group "C"	5049	2686	939	3625	561	91	1424
10	Others	53	53	-	53	-	-	-
11	Group "D"	1170	526	109	635	130	30	535
12.	Total N.G.O	6272	3265	1048	4313	691	121	1959
13.	Grand Total	7302	4089	1133	5222	836	160	2080

ANNEXURE – II

Statement showing details of old arrears of tax under all Acts as on 31-12-2012

(Rs. in crores)

1.	Balance of arrears as on 01-04-2012	:	4497.90
2.	Addl. Demand created dg.the year	:	1689.22
3.	Total	:	6187.12
4.	Amount collected during the year 2012-13	:	330.67
5.	Amount reduced during the year 2011-12	:	1164.77
6.	Balance of arrears as on 31-12-2012	:	4691.68
	Less: Deferred tax amount	:	2703.06
7.	Balance of arrears as on 31-12-2012	:	1988.62

ANNEXURE – III

Details of Revenue realised under Minor Acts

1) Karnataka Entertainments Tax Act, 1958 :

(Rs. in crores)

Year	Revenue realised	G.R. (%)
2008-2009	78.03	9.62
2009-2010	87.93	12.69
2010-2011	97.70	11.11
2011-2012	119.34	22.15
2012-2013 (upto Dec.2012)	109.88	25.62

2) Karnataka Agricultural Income Tax Act, 1957:

(Rs. in crores)

Year	Revenue realised	G.R. (%)
2008-2009	9.28	152.86
2009-2010	8.70	- 6.66
2010-2011	9.33	7.24
2011-2012	15.24	63.69
2012-2013 (upto Dec.2012)	21.84	48.70

3) Karnataka Tax on Professions, Trades, Callings and Employments Act,1976:

(Rs. in crores)

Year	Revenue realised	G.R. (%)
2008-2009	538.68	19.34
2009-2010	527.21	2.13
2010-2011	549.74	4.27
2011-2012	606.66	10.35
2012-2013 (upto Dec.2012)	509.46	15.59

4) The Karnataka Tax on Luxuries Act, 1979.

(Rs. in crores)

Year	Revenue realised	G.R. (%)
2008-2009	250.08	7.87
2009-2010	144.01	- 42.41
2010-2011	216.69	50.47
2011-2012	244.37	12.77
2012-2013 (upto Dec.2012)	191.95	8.03

5) The Karnataka Tax on Entry of Goods Act, 1979

(Rs. in crores)

Year	Revenue realised	G.R. (%)
2008-2009	1085.02	27.80
2009-2010	1291.13	19.00
2010-2011	1525.24	18.13
2011-2012	1845.25	20.96
2012-2013 (upto Dec.2012)	1597.03	19.27

6) The Mysore Betting Tax Act, 1932 :

(Rs. in crores)

Year	Revenue realised	G.R. (%)
2008-2009	52.50	- 13.88
2009-2010	65.47	24.70
2010-2011	67.09	2.47
2011-12	121.22	80.68
2012-2013 (upto Dec.2012)	96.13	18.77

ANNEXURE – IV

Report of action taken on the Budget Speech for the year 2012-13

Para No. of Budget Speech & Details	Action taken
<p>261. The Commercial Taxes Department this year also is likely to exceed the target for revenue collection fixed in the Budget estimate of 2011-12. As against the Budgetary target of Rs.26,700 crores, the Department expects to surpass the target by at least Rs.500 crores. For this, I would like to place on record my thanks to the tax payers of Karnataka. The department has made substantial progress in the field of e-Governance. This has helped in making the tax administration convenient to the tax payers on the one hand and has improved internal efficiency of the department on the other hand. Currently, almost all interactions between the tax payers and the department have been made electronic. The e-Payment system which was started last year has been well received by all and more than 80% of the tax collections are coming through this mode. In the coming year, the department would attempt to achieve 100% of collection of payment through e-mode.</p>	<p>This is a general statement and no specific action is necessary.</p>
<p>262. The trade and industry have made several requests and suggestions seeking tax reliefs and also modifications in law and regulations to make compliance simpler. I have examined them and have tried to accommodate many of their requests and suggestions especially those which affect the common man and the agriculture sector. I have also considered suggestions made to prevent trade diversion and for simplification of procedures.</p>	<p>This is a general statement and no specific action is necessary.</p>
<p>263. I propose the following reliefs under Value Added Tax.</p> <p style="padding-left: 40px;">(1) Tax exemption on paddy, rice, wheat, pulses and products of rice and wheat will be continued for one more year from April, 2012.</p>	<p>(1) In this regard, Notification-I No.FD 57 CSL 2012, dated 31.3.2012 has been issued.</p>

<p>(2) Tax on ready to cook chapathi and parota will be reduced from 14 per cent to 5 per cent.</p> <p>(3) Tax on un-ginned raw cotton will be reduced from 5 per cent to 2 per cent.</p> <p>(4) Tax on dry chillies will be reduced from 5 per cent to 2 per cent. Further, Central Sales Tax on inter-State sales will be revised from 1 per cent to 2 per cent.</p> <p>(5) Tax on surgical footwear will be reduced from 14 per cent to 5 per cent.</p> <p>(6) Braille watches will be exempted from tax.</p> <p>(7) Tax on black boards will be reduced from 14 per cent to 5 per cent.</p> <p>(8) Tax on jewellery and articles of gold and other noble metals, precious and semi-precious stones will be reduced from 2 per cent to 1 per cent.</p> <p>(9) Tax on works contract of manufacture of readymade garments and embroidery work will be reduced from 14 per cent to 5 per cent.</p> <p>(10) Tax on furnace oil sold to foreign going vessels will be reduced from 14 per cent to 1 per cent.</p> <p>(11) Tax on naphtha will be reduced from 14 per cent to 5 per cent.</p>	<p>(2) In this regard, Notification-II No.FD 57 CSL 2012, dated 31.3.2012 has been issued.</p> <p>(3) In this regard, Notification-III No.FD 57 CSL 2012, dated 31.3.2012 has been issued.</p> <p>(4) In this regard, Notification-III No.FD 57 CSL 2012, dated 31.3.2012 has been issued.</p> <p>(5) In this regard, Notification-II No.FD 57 CSL 2012, dated 31.3.2012 has been issued.</p> <p>(6) In this regard, Notification-IV No.FD 57 CSL 2012, dated 31.3.2012 has been issued.</p> <p>(7) In this regard, Notification-II No.FD 57 CSL 2012, dated 31.3.2012 has been issued.</p> <p>(8) In this regard, Notification-V No.FD 57 CSL 2012, dated 31.3.2012 has been issued.</p> <p>(9) In this regard, by clause 18 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), a new entry serial number 7 has been inserted in Sixth Schedule to the Karnataka Value Added Tax Act, 2003.</p> <p>(10) In this regard, Notification-VI No.FD 57 CSL 2012, dated 31.3.2012 has been issued.</p> <p>(11) In this regard, Notification-II No.FD 57 CSL 2012, dated 31.3.2012 has been issued.</p>
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<p>264. Instead of increasing the tax rates to raise resources to meet our developmental expenditure, I propose to increase revenue collection by ensuring better tax compliance through a more efficient tax administration. At the same time, I propose to increase and also levy tax on a few commodities whose consumption needs to be curbed in the larger interests of the society as well as to curb tax evasion taking advantage of current tax exemption.</p> <p>(1) VAT at 5 per cent will be levied on beedies.</p> <p>(2) VAT on cigarettes and other tobacco products will be increased from 15 per cent to 17 per cent.</p> <p>(3) VAT at 5 per cent will be levied on plastic woven fabrics.</p>	<p>(1) Proposal has been dropped pursuant to the announcement by the Hon'ble Chief Minister in his reply to the general discussion on the Budget speech.</p> <p>(2) In this regard, by clause 2 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), Section 4 of the Karnataka Value Added Tax Act, 2003 has been suitably amended.</p> <p>(3) In this regard, by clause 17 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), serial number 30 has been inserted in Third Schedule to the Karnataka Value Added Tax Act, 2003.</p>
<p>265. While reducing VAT on dry chillies from 5 per cent to 2 per cent it is proposed to revise the Central Sales Tax on inter-State sales from 1 per cent to 2 per cent.</p>	<p>In this regard, Notification-VII No.FD 57 CSL 2012, dated 31.3.2012 has been issued.</p>
<p>266. I propose to reduce the Sales Tax on Diesel by 1.25 per cent point thereby bringing down the tax rate from 18% to 16.75%.</p>	<p>In this regard, Notification-VIII No.FD 57 CSL 2012, dated 31.3.2012 has been issued.</p>
<p>267. I also propose to reduce sales tax on High Flash High Speed Diesel sold to foreign going vessels from 18 per cent to 1 per cent.</p>	<p>In this regard, Notification-IX No.FD 57 CSL 2012, dated 31.3.2012 has been issued.</p>
<p>268. I propose to levy tax at 10 per cent on luxuries provided in temporary structures operating as marriage halls.</p>	<p>In this regard, by clause 5 of the Karnataka Taxation Laws (Amendment) Act, 2012 (Karnataka Act No.18 of 2012), Section 2 of the Karnataka Luxuries Tax Act, 1979 has been suitably amended.</p>

<p>269. I propose to levy tax at 10 per cent on luxuries provided in seminar halls, conventional halls and others.</p>	<p>In this regard, by clause 5 of the Karnataka Taxation Laws (Amendment) Act, 2012 (Karnataka Act No.18 of 2012), Section 2 of the Karnataka Luxuries Tax Act, 1979 has been suitably amended.</p>
<p>270. I propose to exempt partnership firms from agricultural income tax.</p>	<p>In this regard, by the Karnataka Taxation Laws (Amendment) Act, 2012 (Karnataka Act No.18 of 2012), the Karnataka Agricultural Income Tax, 1957 has been suitably amended.</p>
<p>271. I propose to increase the minimum lumpsum tax payable by private bookmakers operating in Bangalore and Mysore as detailed in Annexure-3(a).</p>	<p>In this regard, Notification-XII No.FD 57 CSL 2012, dated 31.3.2012 has been issued.</p>
<p>272. A number of rationalization and simplification measures towards better tax administration are being taken. The details are in Annexure-3(b).</p> <ol style="list-style-type: none"> 1. To increase the penalties for the offence of non-maintenance of proper books of account from two thousand rupees to five thousand rupees and from five thousand to ten thousand rupees under Value Added Tax. 2. To increase a penalty for the offence of non-production of records and non-furnishing of information from five thousand rupees to ten thousand rupees under Value Added Tax. 3. To impose restriction on filing of revised returns under Value Added Tax. 4. To provide for prosecution of dealers who fail to file return continuously for a period of three months or two quarters under Value Added Tax. 	<ol style="list-style-type: none"> (1) In this regard, by clause 13 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), Section 74 of the Karnataka Value Added Tax Act, 2003 has been suitably amended. (2) In this regard, by clause 14 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), Section 75 of the Karnataka Value Added Tax Act, 2003 has been suitably amended. (3) In this regard, by clause 6 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), Section 35 of the Karnataka Value Added Tax Act, 2003 has been suitably amended. (4) In this regard, by clause 12 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), Section 72 of the Karnataka Value Added Tax Act, 2003 has been suitably amended.

<p>5. To omit of inoperative provision relating to reduction of tax at source in the case of certain goods under Value Added Tax.</p>	<p>(5) In this regard, by clause 4 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), Section 18-A of the Karnataka Value Added Tax Act, 2003 has been Omitted.</p>
<p>6. To delete the provision of deemed rectification under Value Added Tax.</p>	<p>(6) In this regard, by clause 11 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), Section 69 of the Karnataka Value Added Tax Act, 2003 has been suitably amended.</p>
<p>7. To delete the provision relating to debit and credit notes under Value Added Tax.</p>	<p>(7) In this regard, by clause 5 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), Section 30 of the Karnataka Value Added Tax Act, 2003 has been omitted.</p>
<p>8. To amend the provision specifying five years as the period of limitation for assessment or reassessment under Value Added Tax.</p>	<p>(8) In this regard, by clause 7 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), Section 40 of the Karnataka Value Added Tax Act, 2003 has been suitably amended.</p>
<p>9. To clarify the powers of the appellate authority to stay disputed penalty and other amounts under Value Added Tax.</p>	<p>(9) In this regard, by clause 10 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), Section 62 of the Karnataka Value Added Tax Act, 2003 has been suitably amended.</p>
<p>10. To prevent claim of double deduction in respect of consumables used in works contract under Value Added Tax.</p>	<p>(10) In this regard, by clause 3 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), Section 11 of the Karnataka Value Added Tax Act, 2003 has been suitably amended.</p>
<p>11. To empower the Government and Commissioner to notify the goods for issue of transit pass and to provide for electronic application and also for</p>	<p>(11) In this regard, by clause 9 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), Section 54 of the</p>

<p>electronic issue of transit pass under Value Added Tax.</p>	<p>Karnataka Value Added Tax Act, 2003 has been suitably amended.</p>
<p>12. To amend audited statement of account to delete the advice relating to filing of revised return under Value Added Tax.</p>	<p>(12) In this regard, by clause 11 of the Karnataka Value Added Tax (Amendment) Rules, 2012, Form VAT 240 of the Karnataka Value Added Tax Rules, 2005 has been suitably amended.</p>
<p>13. To withdraw the provision of automatic cancellation of stay orders after 240 days under Value Added Tax.</p>	<p>(13) In this regard, by clause 10 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), Section 62 of the Karnataka Value Added Tax Act, 2003 has been suitably amended.</p>
<p>14. To empower the Commissioner to notify the website in which particulars of specified goods brought from outside the state should be entered under Value Added Tax.</p>	<p>(14) In this regard, by clause 8 of the Karnataka Value Added Tax (Amendment) Act, 2012 (Karnataka Act No.17 of 2012), Section 53 of the Karnataka Value Added Tax Rules, 2005 has been suitably amended.</p>
<p>15. To provide for self-assessment under Entertainments Tax and Luxury Tax.</p>	<p>(15) In this regard, by clauses 3 and 5 of the Karnataka Taxation Laws (Amendment) Act, 2012 (Karnataka Act No.18 of 2012), Section 6-A of the Karnataka Entertainments Tax Act, 1958 and Section 6 of the Karnataka Luxuries Tax Act, 1979 have been suitably amended.</p>
<p>16. To provide for automatic registration of proprietors of cinema theatres under Entertainments Tax.</p>	<p>(16) In this regard, by clause 3 of the Karnataka Taxation Laws (Amendment) Act, 2012 (Karnataka Act No.18 of 2012), Section 6 of the Karnataka Entertainments Tax Act, 1958 has been suitably amended.</p>
<p>17. To withdraw scheme of quarterly filing of returns under Profession Tax.</p>	<p>(17) In this regard, by clause 4 of the Karnataka Taxation Laws (Amendment) Act, 2012 (Karnataka Act No.18 of 2012), Section 6-A of the Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976</p>

<p>18. To increase the time limit for filing revision petition to 180 days under Professions Tax, Entry Tax and Agricultural Income Tax.</p>	<p>has been suitably amended.</p> <p>(18) In this regard, by clauses 2, 4 and 6 of the Karnataka Taxation Laws (Amendment) Act, 2012 (Karnataka Act No.18 of 2012), Section 55(1) of the Karnataka Agricultural Income Tax Act, 1957, Section 18-A of the Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976 and Section 15-A(1) of the Karnataka Tax on Entry of Goods Act, 1979 have been suitably amended.</p>
<p>289. As a result of the proposed tax reliefs and enhancements, the Government is likely to forego revenues of Rs.150 crore per year. This loss is expected to be compensated by buoyancy in the economic activities spurred by the tax reliefs. The State's total Own Tax Revenue for 2012-13 is estimated to be Rs.51821 crore, with an increase of 18 per cent over the Budget Estimate for 2011-12.</p>	<p>No specific action is necessary for this statement.</p>

EXCISE DEPARTMENT

1.1 Vision:

Optimization of Excise Revenue while preventing the use of unsafe liquor and ensure informed consumption in hygienic conditions.

1.2 Mission :

Implementing State Excise policies and procedures by regulating manufacture, transport, possession, sale and other activities of the trade in spirit, spirituous preparations, potable liquor and other intoxicants, and monitoring collection of associated taxes.

1.3 Objectives :

1. Generate optimal revenue for the state exchequer
2. Regulate manufacture, transport, possession and sale of all excisable articles
3. Effective enforcement and inspection to control crime
4. Impart training for better efficiency & formulate e-governance initiatives

1.4 . Functions :

1. Collection of excise revenue.
2. Issue of licences for manufacture, transport, possession and sale of all excisable articles.
3. Conduct inspections of licenced premises, raids and road watches regularly.
4. Review performance at regular intervals.
5. Training of Officers and Staff.
6. Verification of EVCs and permits.
7. Registration, investigation and prosecution of cases.
8. Monitor transaction of all excisable articles.
9. Computerization of departmental activities.

(I) State Acts and Rules.

1. The Karnataka Excise Act 1965.
2. The Karnataka Prohibition Act 1961.
3. The Rules framed under the above Acts.
4. The Narcotic Drugs and Psychotropic Substances (Karnataka) Rules 1985.
5. Karnataka Prevention of Dangerous Activities of Bootleggers Drug-offenders, Gamblers, Goondas, Immoral Traffic offenders and Slum Grabbers Act 1985.

(II) Central Acts and Rules.

1. The Medicinal and Toilet Preparation (Excise Duties) Act 1955, and Rules 1956.
2. Narcotic and Psychotropic Substances Act 1985 (Central Act No. 61 of 1985)

1.5 ORGANISATION AND STRUCTURE:

1.5.1 The Department is headed by the Excise Commissioner who belongs to the I.A.S. Cadre (Super time Scale). The Headquarters of the Department is in Bangalore. The Excise Commissioner is assisted by one Additional Commissioner of Excise who belongs to IAS Cadre, Additional Commissioner of Excise (Crime and Enforcement), Joint Commissioner of Excise (Head Quarters and Administration). The other senior staff comprising Joint Commissioner of Excise (Distilleries and Breweries), Deputy Commissioner of Excise (Legal Cell), 3 Superintendents of Excise including Headquarters Assistant I and II of the rank of Superintendent of Excise, 6 Deputy Superintendents of Excise, a Deputy Director (Statistics) and Assistant Director (Statistics) on deputation from Directorate of Economics and Statistics, a Senior Accounts Officer and Senior Audit Officer (Internal Audit) on deputation from the Accountant General Office also assist the Excise Commissioner.

1.5.2 STATE EXCISE INTELLIGENCE BUREAU:

The Joint Commissioner of Excise heading the State Excise Intelligence Bureau (S.E.I.B.), is headquartered in Bangalore and has jurisdiction throughout the State. The Joint Commissioner assists the Excise Commissioner on Intelligence, Inputs and prevention of Excise Offences such as illicit distillation, adulteration of liquor, illegal spirit movement, illegal transportation of liquor and evasion of Excise Duty etc. The S.E.I.B. works under the direct control of the Excise Commissioner. In addition, there are four Excise Intelligence Bureaus in Bangalore (Urban) District each headed by Superintendent of Excise under the administrative control of Deputy Commissioners of Excise of Bangalore East, West, North and South districts who assist in Enforcement and Implementation of the Excise Act and Rules.

1.5.3 ENFORCEMENT AND INSPECTION DIVISIONS

Further, for administrative efficiency, the Enforcement wing is divided into six Administrative Divisions. Each Division is headed by a Joint Commissioner of Excise. The jurisdiction of each Division is as below;

Sl. No.	Name of the Division	Jurisdictional Districts
1.	Bangalore Division	Bangalore (U), Bangalore (R), Kolar, Tumkur, Ramanagar & Chikkaballapur
2.	Belgaum Division	Belgaum, Bijapur, Dharwad, Bagalkote and Haveri
3.	Gulbarga Division	Bidar, Gulbarga, Raichur and Yadagiri
4.	Hospet Division	Bellary, Chitradurga, Davanagere, Koppal and Gadag
5.	Mangalore Division	D.Kannada, U.Kannada, Udupi Kodagu and Shimoga
6.	Mysore Division	Mysore, Mandya, Hassan Chickmagalur and Chamarajanagara

1.5.4 Every Revenue District in the State has a Deputy Commissioner of Excise who works under the supervision of Revenue Deputy Commissioners of the Districts. The Deputy Commissioner of Excise discharges statutory responsibilities under the Karnataka Excise Act, 1965 and other statutory Acts and Rules. The enforcement work in the district is the responsibility of the Deputy Commissioner of Excise. There are 34 Deputy Commissioners of Excise, one each in the districts and one at Head Office. Bangalore Urban district has 4 Deputy Commissioners of Excise because of its vast jurisdiction.

1.5.5 Superintendents of Excise, Deputy Superintendents of Excise, Inspectors, Sub-Inspectors, Head-Guards and Guards comprise the Executive Staff of the Department. There are 63 Sub-Divisions, each headed by a Deputy Superintendent of Excise. These Deputy Superintendents function under the Administrative Control of the Deputy Commissioner of Excise of the District. Officers of the rank of Superintendents/ Deputy Superintendents of Excise/Inspectors of Excise assisted by other staff are posted to Distilleries, Breweries, and Wineries to supervise the transactions and to enforce the applicable Excise Laws. The Department also has a Central Chemical Laboratory headed by a Chief Chemist

1.5.6 **KSBCCL AS SOLE LIQUOR DISTRIBUTING AGENCY:**

With an intention of channelising wholesale trade of Liquor and to curb illegal trade in the business, Karnataka State Beverages Corporation Limited was established in the year 2003 as a sole Liquor Distributing Agency in the state. KSBCCL has so far established 53 IML Depots and 37 Spirit Depots all over the state.

PERFORMANCE OF THE DEPARTMENT

2.1. FINANCIAL

The Excise Revenue mainly emanates from the following sources.

- a) Excise Duty and Additional Excise Duty on IML, Beer & Wine.
- b) Licence fee on Distilleries, Breweries, Wineries and other IML Licences.
- c) Fines, Fees and amount realised by confiscations
- d) Miscellaneous.

In addition to the revenue realised under the Karnataka Excise Act 1965, the State Government also gets revenue under Medicinal and Toilet Preparations Act.

The Excise Revenue in the State has been steadily increasing from Rs.7.11 Crores in the financial year 1967-68 to 9827.89 Crores in the year 2011-12.

The Revenue collection of Rs.9827.89 Crs during the year 2011-12 is 1482.50 Crs or 17.76% more than the Revenue collected during 2010-11.

The source wise Excise Revenue for the year From 2010-11 to 2012-13 (Upto December 12) is as follows:-

(Rupees in Crores)					
SL NO	SOURCE	2010-11	2011-12	2012-13 B.E	2012-13 (Actuals) (Upto end of Dec.12)
1.	IML	6794.91	8065.35	8365.80	6779.89
2.	Beer	730.55	870.22	875.00	766.08
3.	Others(Including KSBCL Prev.Fee)	819.93	892.32	1534.20	746.16
TOTAL		8,345.39	9827.89	10775.00	8292.13

2.2 EXPENDITURE : Total revenue realized and expenditure incurred by the Department under salary and non-salary Heads during the year 2010-11, 2011-12 and 2012-13 (Upto end of December 2012) is as follows:-

2.3 Physical

2.3.1 PRODUCTION OF MOLASSES, RECTIFIED SPIRIT, IML, BEER AND WINE:

The Production of Molasses, Rectified Spirit, IML, Beer And Wine for the year 2010-11 to 2012-13 (up to December 2012) is as follows:-

Particulars	2010-11	2011-12	2012-13* (April 12 to Dec.12)
Revenue	8,345.39	9827.89	8292.13
Expenditure	72.96	84.44	64.57
Percentage of expenditure to total receipts.	0.87	0.86	0.78
* 2012-13 figures furnished with pending reconciliation.			

(In Lakh Bulk Litres)

SL NO	ARTICLES	2010-11	2011-12	2012-13 (April 12 to Dec.12)
1.	Molasses (In MT.)	15.20	14.65	8.02
2.	Rectified Spirit(In Lakh BL)	2953.43	3500.97	2365.70
3.	IML(In Lakh BL)	4255.74	4524.23	3549.69
4.	Beer(In Lakh BL)	1463.80	1525.64	1190.32
5.	Wine (In Lakh BL)	30.64	34.54	28.13

2.3.2 SALE OF IML AND BEER:

The Sale of IML and Beer for the year 2010-11 to 2012-13 (upto end of Dec. 2012) is as follows:-

(In Lakh Carton Boxes)

SL NO	ARTICLE	2010-11	2011-12	2012-13 (Upto end of Dec. 2012)
1.	IML	463.09	494.62	371.23
	Avg. per month	38.59	41.22	41.25
2.	Beer	184.07	212.34	160.51
	Avg. per month	15.34	17.70	17.83

2.3.3 CRIME AND ENFORCEMENT :

In addition to the above, the following excisable articles were seized.

SL NO	ARTICLES	QUANTITY (Ltrs)
1.	I.M.L	103104
2.	Beer/Toddy/Fenny	42774
3.	Arrack	7513
4.	RS/NS Seized	24847
5.	Illicit liquor destroyed.	15641
6.	Wash Destroyed	95079

2.3.4 Distillery, Brewery and Winery Units

Number of Distilleries, Breweries and Winery Units renewed for the year 2012-13 (Upto end of Dec. 2012) is as follows:

Sl. No.	Unit	Number of Units
1.	Primary Units (manufacturing spirit)	26
2.	Composite Distilleries (manufacturing both spirit and IML)	9
3.	Distilleries Manufacturing only IML	26
4.	Breweries	5
5.	Micro Breweries	4
6.	Wineries: A) Fortified Wine B) Fruit Wine	7 16

2.3.5 IML LICENCES

The number of IML licences renewed under the Karnataka Excise (Sale of Indian and Foreign Liquors) Rules 1968 during the year:

Sl. No.	Kind of Licence	2010-11	2011-12	2012-13 (Upto end of Dec.12)
1.	CL-2(Retail Shops)	3848	3921	3914
2.	CL-4 (Clubs)	192	209	203
3.	CL-7(Hotels & Boarding Houses)	567	660	659
4.	CL-9 (Bars)	3526	3537	3531
5.	RVB (Retail Vend of Beer)	232	265	265
6.	Others	575	672	666
	TOTAL	8940	9264	9238

2.3.6 MEDICINAL AND TOILET PREPARATIONS:

Under the provisions of Medicinal and Toilet Preparations Act enacted by Government of India, L.1 and L.2 licences have been granted for manufacture of Medicinal and Toilet Preparations containing Alcohol, Opium, Indian hemp and other Narcotic drugs and substances. During the year 2012-13, 18 L1 and 7 L2 licences were granted .

2.3.7 ALCOHOL BASED CHEMICAL UNITS:

During the year 2012-13, 45 RS-2 licences and 70 DL-3, 1 DL-5, 1 DL-6 and 2 DL-9 Licences have been issued.

2.3.8 TODDY

During 2012-13, sale of toddy was allowed through Tappers Co-Operative Societies in Dakshina Kannada and Udupi Districts. Revenue from this source is very insignificant compared to the revenue realised from other sources.

2.3.9 RETAIL SALE OF LIQUOR THROUGH MSIL:

With an object of curbing over MRP sales, the Government has permitted Mysore Sales International Limited to open 463 retail outlets (CL-11c) in the state and so far MSIL has opened 352 outlets.

Directorate of Pension, Small Savings and Asset-Liability Monitoring
Annual Report for the year 2012-2013

Investment Tracking & Realisation, Small Savings and State Lottery Department was renamed as “ Directorate of Pension, Small Savings and Asset-Liability Monitoring ” vide G.O No. FD 25 Savula 2010 Dated 21/04/2010. Redressal of pensioners’ grievances has been added to the existing work and Karnataka Government Employees Group Insurance Scheme was transferred to Karnataka Government Insurance Department.

Department deals with

1. Small Savings .
2. Asset-Liability Monitoring.
3. Redressal of pensioner’s grievances (Retired government pensioners only).

I. Small Savings :

This scheme has the following objectives:-

- (1) To inculcate the habit of thrift and savings among the people and to provide not only security but also a fair return to their savings.
- (2) To encounter inflationary pressures on the economy, thus help to hold the price line in the market.

Government have not assigned any target for the year 2012-13. However Rs.7668.34 crores in Gross and Rs.(-)1683.12 crores in net has been collected till the end of December 2012. During 2012-13 January 2013 State have received Rs.57.29 Crores loan from Government of India.

At present appointment of new agents have been stopped in the State. However renewal and cancellation of current agencies are continued.

Asset-Liability Monitoring :

The Department is functioning as per the guidelines issued vide circular No: FD 51 RLG 07, Dated: 29.5.2007. Top priority was given to track the Government Investments on the following lines.

1. Loans extended to various Boards & Corporations.
2. Loans taken by various Boards & Corporations on the guarantee extended by the Government and payment of guarantee commission to Government on these loans.

3. Government Investments in various Institutions as Share Capital & Payment of dividend on the shares.

The Guarantee Commission on Government guaranteed loans, Principal and Interest on Government loans and dividend on share capital collected during 2012-13 up to November 2012 is as shown below.

Guarantee Commission	: Rs.11.88 Crores.
Dividend	: Rs.47.12 Crores.
Interest	: Rs.5.30 Crores.
Principal	: Rs.47.71 Crores.

Redressal of pensioner's grievances (Retired employees of Government of Karnataka).

Department has to attend to the grievances relating to pension payment of around 4.16 lakh pensioners in the State. Officers and officials of the department are working on the same at District and Taluk level. As on December 2012 Department has received 146 applications from pensioners out of which 116 applications are cleared. Correspondence has been made with the concerned department to clear the remaining 30 applications

We have received 394 pending cases from A.G out of which 105 cases are cleared

KARNATAKA GOVERNMENT INSURANCE DEPARTMENT

K.G.I.D. transacts with Life Insurance business as per Karnataka Government Servants (Compulsory Life Insurance) Rules 1958. In Motor Insurance sector, Government vehicles & vehicles owned by Boards, Corporations, Municipalities etc., and vehicles in which Government has substantial financial interest are being Insured. Family Benefit Fund Accounts related to the employees working in Govt. Aided Institutions, Corporations and other Local Bodies are maintained in the Department. The Karnataka Government Servant's Group Insurance Scheme also attached to this Department recently.

1.LIFE INSURANCE BRANCH

The Life Insurance Branch has issued 94,665 Policies for a sum assurance of Rs. 1925.61Crores and collected Rs. 998.93Lakhs premium from 1-4-2012 to 31-12-2012. The department has sanctioned Rs.663.39 Crores as loan in this period. The Fund balance is Rs.5235.41 Crores as on 31-12-2012.

The Bonus on the policies for biennial ending of 31-3-2008 has been declared at the rate of Rs.85/- per thousand per annum. The Valuation work for the biennial period 2008-10 is under progress.

2. MOTOR INSURANCE BRANCH

The Motor Branch of this Department has insured 17,644 vehicles as on 31-12-2012 yielding premium income of Rs. 1049.86Lakhs. The fund balance as on 31-12-2012 is Rs. 151.36 Crores.

3. FAMILY BENEFIT FUND

This is a Social Security Scheme for employees of Local Bodies and Aided Institutions. The Accounting work of the above fund is done in this department.

4.GROUP INSURANCE SCHEME

The Karnataka Government Servant's Group Insurance Scheme was introduced in the year 1982. The administration of this scheme was recently entrusted to this Department. The scheme is wholly contributory and self financing. Subscription is statutory and being deducted in regular salary bills of Government employees.

The statistical data of all schemes are furnished in the Annexure.

ADMINISTRATIVE POWER

The Department was decentralized with the aim of providing sincere and quick service to its policy holders by opening District Level Offices. The Financial Powers delegated to District Level Officers to accept proposals, grant of loan and settling all claims up to Rs.4,00,000/- The Director of the department is exercising full Financial powers regarding sanction of loans and settlement of all claims. But the New Business proposals for the Sum Assurance of more than Rs.5,00,000/- in each case are being accepted after getting the expert opinion from the Director of Health and Family Welfare services.

KARNATAKA GOVERNMENT INSURANCE DEPARTMENT,

Sl. No	Particulars	Yard stick	2009-10	2010-11	2011-12	2012-13 (Up to 31/12/2012)
	LIFE BRANCH					
1	Issue of New Policies	Nos.	42,894	36,440	30,269	94,665
2	Initial Deposit (Premium Income)	In lakhs	334.48	342.61	308.78	998.93
3	Sum Assurance	In crores	854.79	889.30	719.66	1925.61
4	No. of policies In force	Nos.	12,69,332	12,31,634	12,09,210	12,01,256
5	Total Premium income In force	In crores	419.59	447.36	476.89	427.68
6	Sum Assurance In force	In crores	8,660.00	9,389.12	9974.79	10,286.91
	CLAIMS SETTLED					
7	a) Maturity Claims	Nos.(pol)	55,437	61,954	47,550	31,221
8	b) Death Claims	Nos.(pol)	4,616	5,949	4,226	2,954
9	c) Surrender Value	Nos.(pol)	2,048	1,775	1,322	675
	AMOUNT OF CLAIMS PAID					
10	a)Maturity claims	In crores	207.78	251.56	219.12	136.63
11	b) Death claims	In crores	25.61	25.89	29.13	20.75
12	c) Surrender Value	In crores	6.33	5.78	4.84	2.72
13	Sanction of Loan	In crores	409.67	427.38	542.73	663.39
14	Admn. Expenditure	In crores	17.12	18.33	19.48	29.50
15	C.L.B.Fund Balance	In crores	3,915.65	4,302.40	5,078.09	5235.41

MOTOR BRANCH						
16	1.No. of vehicles insured	Nos.	23,589	26,378	25,423	17644
17	2. Premium Income	In lakhs	1,006.27	1,038.73	1107.40	1049.86
18	3. No.of claims settled	Nos.	442	464	493	355
19	4. Amount of claims settled	In lakhs	435.74	463.77	726.22	450.57
20	5. Motor Insurance Fund Balance	In crores	111.94 Incl. Int	116.77 Excldg. Int	146.34 Incl. Int	151.36
FAMILY BENEFIT FUND						
21	Receipts	In crores	1.28	1.28	1.33	1.12
22	Payments	In crores	6.05	2.87	4.88	3.99
23	FBF Fund Balance	In crores	69.00	83.13	88.10	85.23

KARNATAKA GOVERNMENT INSURANCE DEPARTMENT, GROUP INSURANCE SCHEME.

SL. NO.	PARTICULARS	YARD STICK	PERIOD 2012 -2013(up to 31/12/2012)	
			INSURANCE FUND	SAVINGS FUND
1	OPENING BALANCE	RS.IN LAKHS	8239.48	143400.20
2	RECEIPTS	RS.IN LAKHS	692.45	1523.41
3	TOTAL	RS.IN LAKHS	8931.93	144923.61
4	PAYMENTS	RS.IN LAKHS	824.99	3215.18
	(3-4=)	RS.IN LAKHS	8106.94	141708.43
5	INTREST	RS.IN LAKHS	71.58	2850.65
6	CLOSING BALANCE	RS.IN LAKHS	8178.52	144559.08

STATE ACCOUNTS DEPARTMENT,

(Upto December-2012)

State Accounts Department being one of the major departments of Government of Karnataka is functioning under the direct control of the Finance Department. The Controller is the Head of the Department. The Accounts of Local Bodies in the State viz. the City Municipal Councils, Town Municipal Councils, Town Panchayats, Grama panchayaths, Urban Development Authorities, Command Area Development Authorities (CADA's), Public Libraries, BMRDA, Karnataka Secondary Education Examination Board, Muzarai institutions and 24 Universities in the State are under the Audit purview of this department as per the relevant Acts/ Notifications of the respective Institutions. The Audit work is taken up by the Local Audit Circle Offices in the Districts, Government Auditor's Offices in the Universities and also by the Auditors from the office of the Controller, State Accounts Department. Besides, special Audit of accounts of other institutions or departments also will be taken up as and when orders are issued from Government.

The audit of accounts of the City Corporations including BBMP is being conducted by the Chief Auditors appointed by the Government to each Corporation, under the supervision and control of the Controller as per section 150 of Karnataka Municipal Corporations Act, 1976.

29 District Local Audit Circle Offices and 10 Government Auditor's offices of the Universities conduct audit under the supervision of this department.

AUDIT PROGRAMME AND PROGRESS

During the year 2012-13 (Upto December-2012) out of 6637 institutions comprising of 9408 years of accounts programmed, 3801 institutions comprising of 4613 years of accounts were audited at the end of December 2012 and the audit progress achieved is 57.30%.

EX-OFFICIO TREASURER OF CHARITABLE ENDOWMENT FUNDS

As per the provisions of Charitable Endowments Act 1890 and Govt. Order No:FD(R) 5052. BB 22-53-5 dated: 12-12-1953 the Controller, State Accounts Department is Ex-Officio Treasurer of Charitable Endowments of Karnataka State. There are securities to the extent of

₹27.49 lakhs relating to 309 Charitable Endowments and the interest of ₹1.75 lakhs earned is being disbursed at the request of the concerned duly deducting 1% Government commission.

The Controller is also holding ₹74.90 lakhs in the form of term deposits relating to Muzarai Institutions under his safe custody in terms of Article 361 and 362 of KFC and the interest earned thereon is being disbursed to the concerned. During the year 2012-13 a sum of ₹3.67 lakhs is earned as interest to end of 31st December 2012 and the same has been disbursed to the concerned Administrators after deducting 1% Government Commission for releasing to the beneficiaries selected by them.

MAINTENANCE OF ACCOUNTS OF ADDITIONAL EMOLUMENTS (COMPULSORY DEPOSITS)

As per the provision of Additional Emoluments (Compulsory deposits) Act, 1974 the Controller, State Accounts Department is the nominated authority for all the Local bodies in the State. As at the end of 31st December 2012 a sum of ₹4,26,520/- is still remaining as balance in this account as the specified authorities (i.e., Local Bodies) have not preferred any claims for repayment.

DEPUTATION OF OFFICERS AND STAFF

The services of the officers and officials of State Accounts Department are lent to various departments of Government, local bodies and statutory organizations on deputation for maintenance of accounts, financial management and internal audit.

During the year 2012-13 out of total 4326 posts in the department 639 posts only are under direct control of the department and the remaining posts are in various Government departments, local bodies and statutory organizations.

TRAINING PROGRAMME

During the year 2012-13 (Upto 31-01-2013) 334 Group 'A' and 'B' Officers were deputed for Training in National Institute of Public Finance & Policy New Delhi/ National

Institute of Financial Management Faridabad/ Administrative Training Institute in Mysore and 108 staff members of this Department were Trained in District Training Institutes.

PENSION AUTHORISATION IN RESPECT OF MUNICIPAL EMPLOYEES

The responsibility of authorizing the pensionary benefits in respect of Municipal employees has been entrusted to the Assistant controllers of respective District Local Audit Circles, since 1980. During 2012-13, 402 pension cases have been settled up to the end of 31-12-2012.

EXPENDITURE OF THE DEPARTMENT

For the year 2012-13 a sum of `1894.10 lakhs has been provided in the budget, of which a sum of `1300.87 lakhs has been spent to the end of November

AUDIT CHARGES

Audit charges are being levied and collected from the local bodies, Muzarai & other autonomous bodies which come under the audit purview of this department as per the provisions of the relevant Acts and Rules and remitted to Government account. During the year 2012-13 the estimated audit charges are `400.00 lakhs, against which a sum of `264.50 lakhs was collected up to the end of December-2012 and remitted to Government under the Head of Account 0070-60-110-0-01.

INSTITUTIONAL FINANCE

The Institutional Finance wing of Finance Department does coordination work between government departments, commercial banks and regional rural banks, besides other term lending institutions like NABARD for successful implementation of socio-economic development programmes.

Rural credit dispensation in the State mainly takes place through Cooperatives, Commercial Banks/Regional Rural Banks and National Bank for Agriculture Rural Development (NABARD) besides support from the State financial institution i.e. Karnataka State Financial Corporation to industry and tertiary sectors for development of medium and large scale industries in the State.

1. Banking Data:

- As at the end of Sept 2012 Aggregate deposits of scheduled Commercial Banks(including RRBs) stood at Rs.410233 crore
- Credit Deposit Ratio (CDR) as on Sept 2012 was 74.33 vis-à-vis 74.29 as of Sept 2012.
- Advances to weaker sections by Banks was Rs.39085 crore and Rs.8818 crore to SC/STs constituting 12.82% and 2.89% of the total advances (as of Sept 2012).
- As of Sept 2012 Level of agricultural advances stood at Rs.59088 crore forming 19.38% of the total advances of Banks.
- Khadi & Village Industries Commission is the nodal agency for implementing Rural Employment Generation Programme (REGP) of GOI, Ministry of Micro, Small & Medium Enterprises (MSME). KVIC has intimated the targets under PMEGP for Karnataka State as below –

(Targets 2012-13)

Agency	Margin money (Rs. in lakh)	No. of projects	Employment generation
KVIC	1115.65	485	3880
KVIB	1115.65	485	3880
DIC	1487.54	648	5184
Total	3718.84	1618	12944

Source: SLBC September 2012

- Banks and Nodal Agencies were expected to take appropriate steps to achieve the target of 75% of credit flow to SC/ST beneficiaries under SGSY as per Gol guidelines.
- As at Sept 2012 Banks have also assisted 837 beneficiaries and 144 Groups under Swarnajayanti Shahari Rozgar Yojana, Self Employment Programmes of Dr.B.R.Ambedkar Development Corporation Ltd., Swavalambana Margin

Money Scheme of Karnataka Minorities Development Corporation and Chaitanya Subsidy-cum-Soft Loan scheme of D.Devaraj Urs Backward Classes Development Corporation like Self-Employment Programme, besides extending loans to minority communities.

- Banks have disbursed Rs.3105 crore to 307343 women beneficiaries upto Sept.2012 under special focus programmes.
- Banks have disbursed loan of Rs.1335crore to 121325 Stree Shakti Groups up to Sept 2012.
- As of Sept 2012 Banks (including RRBs & Co.ops) have issued 448599 Kisan Credit Cards with credit limit of Rs.4731 crores.
- Details of Bank branches/deposits/advances/CDRs are shown below:

As at Sept 2012 (Rs.in lakh)

Sl. No.	Name of Bank	No.of Branches	Deposits	Advances	Credit Deposit Ratio
1.	Public Sector Banks	4653	29060065	21411658	73.68
2.	Other Commercial Banks	1107	8924991	5793730	65.00
3.	Co-operative Societies(KSFC)	903	1419168	1861210	119.00
4.	6 Regional Rural Banks (RRBs)	1397	1619101	1427426	88.00
Total		8060	41023325	30494024	345.68

2. Lead Bank Scheme:

(a) The Lead Bank Scheme (LBS) has been introduced by Reserve Bank of India. The objectives and scope of the scheme are to ensure coordinated action by banks and government in order that the banking system supports balanced economic development in the State, particularly in addressing agrarian distress and challenges faced by the rural sector through implementation of government schemes in letter and spirit.

(b) The list of district-wise Lead Banks in the State, is furnished below:

Sl. No.	Name of District	Name of Lead Bank
1.	Belgaum	Syndicate Bank
2.	Bellary	
3.	Bijapur	
4.	Bagalkot	
5.	Dakshina Kannada	
6.	Udupi	
7.	Uttara Kannada	
8.	Kolar	Canara Bank
9.	Bangalore (Urban)	
10.	Bangalore (Rural)	
11.	Chitradurga	
12.	Davanagere	
13.	Hassan	
14.	Shimoga	
15.	Chikkaballapur	State Bank of Mysore
16.	Chamarajanagar	
17.	Mysore	
18.	Tumkur	State Bank of India
19.	Gadag	
20.	Bidar	
21.	Gulbarga	
22.	Yadgiri	Vijaya Bank
23.	Mandya	
24.	Haveri	
25.	Dharwar	Corporation Bank
26.	Madikeri	
27.	Chikmagalore	
28.	Ramanagar	State Bank of Hyderabad
29.	Raichur	
30.	Koppal	

3. Rural Infrastructure Development Fund:

a) In 1995, Government of India announced the scheme for setting up of Rural Infrastructure Development Fund (RIDF) within the National Bank for Agriculture and Rural Development (NABARD) for financing rural infrastructure projects.

b) During the current fiscal, Government of India had announced an allocation of Rs.18000 crore at all India level, for continuation of the scheme under RIDF-XVII. NABARD fixed the normative allocation for Karnataka at Rs.720 crore for the projects. NABARD stipulated the following activities with broad general terms and conditions for projects to be implemented under RIDF XVII.

1. Rural Roads
2. Rural Bridges
3. Minor Irrigation Projects/Micro Irrigation
4. Soil Conservation
5. Flood Protection
6. Watershed Development/Reclamation of waterlogged areas
7. Drainage
8. Forest development
9. Market Yard/Godown, Apna Mandi, Rural haats and other marketing infrastructure
10. Cold Storage, Public or Joint Sector cold storage at various exit points
11. Seed/Agriculture/Horticulture
12. Plantation and Horticulture
13. Grading and certifying mechanisms such as testing and certifying laboratories, etc.,
14. Community irrigation wells for irrigation purposes for the village as a whole, fishing harbour/jetties
15. Fishing Harbour/jetties
16. Riverine Fisheries
17. Animal Husbandry
18. Modern Abattoir
19. Medium Irrigation projects
20. Mini Hydel Projects/Small Hydel Projects (upto 10 MW)
21. Drinking Water
22. Infrastructure for Rural Education Institutions
23. Public Health Institutions
24. Construction of toilet blocks in existing schools, where necessary, specially for girl students so as to improve the amenities available in schools
25. 'Pay & Use' toilets in rural areas
26. Major Irrigation Project (Only those projects already sanctioned and under execution)
27. Village knowledge Centers
28. Desalination plants in coastal areas
29. Infrastructure for Information Technology in rural areas
30. Construction of Anganwadi Centres
31. Setting up of KVIC industrial estates/centres

Quantum of loan:

NABARD has sanctioned Rs.6966.93 crore for 29792 projects in Karnataka under RIDF-I to XVII tranches upto 31.3.2012. Majority of the projects are for construction of rural roads, bridges, anganwadi buildings, Raitha Samparka Kendras, Minor irrigation works, watershed development projects, construction of school buildings etc. Details of the admissible **RIDF** loan is given below:

Sl. No.	Sector/Activitiy	RIDF loan admissible as %age of project cost
1.	Activities related to agriculture such as irrigation, soil conservation, flood protection, (Activity 3 to 20,26,27,28 &29 of the eligible activities)	95%
2.	Social Sector Projects (Activity Nos. 21,22,23,24, 25,30 & 31 of the eligible activities)	85%
3.	Rural connectivity (Activity Nos.1 and 2 of the eligible activity)	80%

Rate of Interest:

The current rate of interest for NABARD's loan assistance has been fixed at 7.5% p.a.

The activity -wise loan sanctioned under RIDF XVII by NABARD is shown below:

PROJECTS SANCTIONED UNDER RIDF XVII (As on 31-3-2012)

(Rs.in lakh)		
Sl. No.	Name of the Department	Project cost
1	Rural Development & Panchayath Raj Rural roads & bridges, foot bridges and	20464.50
2	Rural Service Centres	1999.80
3	PWD – Roads & Bridges	28078.00
4	Tourism Department	2000.00
5	Education Department (High School) Polytechnic Buildings	4000.00
6	Minor Irrigation Department	12013.35
7	Rural Markets	495.20
8	Rural Godown	1500.00
9	Animal Husbandry & Fisheries Department (Fisheries)	799.50

10	Women & Child Dev. Dept (Anganwadi Buildings)	794.20
11	Health Department – PH Cetres	1999.94
12	Agriculture-Raitha Samparka Kendra	2380.00
13	Water resource Dept. (Major & Medium)	8000.00
Total		84524.49

The High Power Committee constituted under the chairmanship of the Additional Chief Secretary and Development Commissioner to review the progress achieved in respect of the projects under RIDF met on 2-7-2012, 12-09-2012 and 16-01-2013.

4. Committees/ Meetings/Conferences/Seminars:

A. State Level Bankers Committee' meet (SLBC):

(a) The State Level Bankers' Committee (SLBC), which is an important coordination forum for banks and Government Departments constituted by the Reserve Bank of India under the Lead Bank Scheme sorts out problems of coordination and reviews performance under various programme components and special focus programmes once in 3 months. Syndicate Bank is the convener of the SLBC meetings.

(b) During the current year (2012-13), the SLBC conducted meetings on 29-5-2012, 05-09-2012 and 31-12-2012 discussed special focus programmes of credit flow for implementation of Central and State government sponsored schemes and Financial Inclusion programme.

B. Empowered Committee on Regional Rural Banks (RRBs):

(i) Regional Rural Banks in Karnataka, were established under the Regional Rural Banks Act, 1976 to carry on and transact the business of banking as defined in clause (b) of Sec.5 of the Banking Regulation Act, 1949 including granting of loans and advances, particularly to small and marginal farmers and agricultural labourers, artisans, small entrepreneurs engaged in trade and commerce or other productive activities. The capital of the RRBs are shared by the Central Government, State Government and Sponsored Banks in the ratio of 50% : 15 : 35 respectively. The Sponsored Banks of RRBs shall monitor the progress of these RRBs. The names of 4 RRBs in Karnataka after amalgamation (earlier their number was 6) and their sponsored banks are as below:

Sl. No.	Name of Regional Rural Bank	Name of Sponsored Bank	Head office of RRBs.
1.	Karnataka Vikas Grameena Bank	Syndicate Bank	Dharwad
2.	Kaveri Grameena Bank	State Bank of Mysore	Mysore
3.	Pragathi Grameena Bank	Canara Bank	Bellary
4.	Krishna Grameena Bank	State Bank of India	Gulbarga

(ii) The Special Officer (Banking), Finance Department (Institutional Finance) is one of the directors on the Board of Pragathi Gramina Bank and Karnataka Vikas Grameena Bank.

(iii) During the current financial year, meetings of the Empowered Committee constituted by the Reserve Bank of India were held under the Chairmanship of the Regional Director, Reserve Bank of India on 29-3-2012, 15-6-2012, 05-10-2012 and 26-12-2012 and reviewed the performance of RRBs on the following issues:

- Refinance from NABARD under schematic lending for seasonal agricultural operations,
- Flow of credit to reach the service area,
- Parking developmental funds of the government of Karnataka with RRBs.
- Extending new loans and advances to farmers
- Loans and advances for housing purpose
- Setting up of extension counters
- Issue of license for opening of new branches
- Effective and faster implementation of lending to agriculture and allied activities
- Implementation of I.T. enabled financial inclusion in Karnataka, particularly regarding payment to beneficiaries under Social Security Pension Scheme and NREGS to be directly credited to their bank accounts.

Senior officers of NABARD, Lead Banks, Chairmen of RRBs and the Special Officer (Banking), Finance Department, representing the Finance Department participated in the meeting.

C. State Level Inter-Institutional Committee (SLIIC):

During the current year, the Committee constituted by the Reserve Bank of India met on 14-6-2012, 13-9-2012 and 03-01-2013 where senior level functionaries of RBI, Finance Department, Commerce & Industries Department, NABARD, KSIIDC, KSFC, KVIC, SIDBI, SLBC representatives of FKCCI, KASSIA, AWAKE, Lead Banks participated and discussed the issues relating to sick units:

- Credit Linked Capital Subsidy Scheme (CLCS)

- Capital subsidy scheme/refinance to sick units
- Delivery of credit to Micro, Small & Medium Enterprises (MSME)
- Reviewed data on rehabilitation of sick MSMEs
- Nursing of potentially viable sick MSME units
- Interest subvention/interest subsidy
- Conducting awareness/motivational programmes
- Refinance support from Small Industries Bank of India (SIDBI) to KSFC
- Dissemination of information about recent changes/initiatives related to MSME sectors.

D. State Level Coordination Committee (SLCC) on Regulation of Non-Banking Financial Companies (NBFC) and Deposit Acceptance activities of Un-incorporated Bodies (UIB):

The Committee met on 13-01-2012 and 19-11-2012 in RBI, Bangalore where senior level officers of RBI, Company Law Board, Police, Finance Department, Law Department and representatives from other regulatory bodies participated. The Committee discussed and reviewed the following:

- Conduct seminars to sensitise police officials for implementing the law relating to prohibition of acceptance of deposits by Un-incorporated Bodies,
- Transparency in dealing with clientele, evolve fair practices code under which NBFCs are required to intimate borrowers,
- Healthy growth of NBFC sector,
- Entities operating without obtaining registration from RBI/NHB,
- Educate public on NBFC regulation and prohibition of acceptance of deposits by UIBs and should be aware of the fact that the deposits with NBFCs are neither insured nor guaranteed and be cautious about deceiving 'fly-by-night' operators/vanishing companies like VINI-VINC case.
- The Committee was informed that House Rent Controller, South Range, Bangalore and Special Land Acquisition Officer, Bangalore for Bangalore North and South Sub-divisions; and jurisdictional Assistant Commissioners for other places have been appointed as 'competent authority' under the sub-sec.(1) of Sec.5 of the Karnataka Protection of Interests of Depositors in Financial Establishments Act, 2004.
- Submission of regulatory returns by the State government companies (Non-Deposit taking companies classified as Systematically Important companies- ND-SI) for implementation of the prudential norms/directions to RBI as required under law.

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KARNATAKA STATE FINANCIAL CORPORATION

Brief Note on the Operations of the Corporation during the last 3 years & for FY: 2012-13 (April to December 2012)

Introduction:

Karnataka State Financial Corporation (KSFC) is a State level financial institution established by the State Government in the year 1959 under the provisions of SFCs Act 1951 to cater to the long term financial needs of Micro, Small and Medium Enterprises (MSMEs) in the State of Karnataka. The Corporation has extended sizeable assistance to Manufacturing, Textiles and other service sectors like Hospitals, Hotels, Transport, etc. Over the last 53 years KSFC has been playing a pivotal role in the promotion of Micro, Small & Medium Scale Enterprises (MSMEs), development of backward areas and first generation entrepreneurs etc., in the state of Karnataka.

Present Capital Position of the Corporation (Equity):

The present equity details of the Corporation is as below :

(Amt: ₹ in crore)			
Sl. No.	Details	Amount	Percentage share
1	Govt. of Karnataka	794.91	95.36
2	Small Industries Development Bank of India	38.38	4.61
3	Others (Banks, Insurance Companies, etc.	0.27	0.03
	TOTAL	833.56	100.00

Performance of KSFC:

Sanctions:

The total sanctions of the Corporation during the FY 2012-13 (April to December 2012) was 654.53 crore for 1127 cases. The cumulative Gross sanctions of the Corporation (under all activities) reached 11,937 crore covering 1,66,255 cases as on 31st December 2012.

The target v/s achievement of the Corporation in the area of sanctions during the last 3 years & for FY :2012-13 (April to December 2012) is given below :

Sanctions: Targets v/s Achievement

(₹. in crore)

SI No	Year	Target	Achievement	% Achievement
1	2009-2010	800.00	631.49	78.94
2	2010-2011	950.00	731.63	77.01
3	2011-2012	950.00	817.32	86.03
4	2012-2013 (April '12 to Dec' 2012)	760.00	654.53	86.12

Disbursements:

The Disbursements made by the Corporation during the FY 2012-13 (April to December 2012) was ₹.500.91 crore. The cumulative disbursements reached ₹.9326 crore as on 31st December 2012.

The target v/s achievement of the Corporation in the area of disbursements during the last 3 years & for FY :2012-13 (April to December 2012) is given below :

Disbursements: Targets v/s Achievement

(₹. in crore)

SI No	Year	Target	Achievement	% Achievement
1	2009-2010	560.00	434.39	77.57
2	2010-2011	715.00	580.41	81.18
3	2011-2012	715.00	597.08	83.51
4	2012-2013 (April'12 to Dec.2012)	585.60	500.91	85.54

Recovery:

The total amount recovered by the Corporation under various schemes during the FY 2012-13 (April to December 2012) was ₹.533.40 crore. The cumulative recovery amounted to ₹.11,998 crore as on 31st December 2012.

The target v/s achievement of the Corporation in the area of recovery during the last 3 years & for FY :2012-13 (April to December 2012) is given below :

Recovery: Targets v/s Achievement
(₹. in crore)

SI No	Year	Target	Achievement	% Achievement
1	2009-2010	510.00	554.94	108.81
2	2010-2011	565.00	586.71	103.84
3	2011-2012	626.75	660.90	101.45
4	2012-2013 (April'12 to Dec'2012)	499.45	533.40	106.80

Flow of Assistance:

Assistance to Small Scale Sector:

During the FY 2012-13 (April to December 2012) the Corporation sanctioned a term loan assistance of ₹ 406.27 crore to 883 cases in the SSI Sector. The cumulative assistance to SSIs at the end of 31st December 2012 stood at 6494.90 crore to 1,08,835 cases.

Assistance to Medium Scale Sector:

The Corporation has assisted 21 medium scale industries (term loans only) to an extent of ₹.58.01 crore during the FY 2012-13 (April to December 2012). The cumulative assistance to this sector as at the end of 31st December 2012 reached ₹.1063.68 crore to 1737 cases.

Assistance to Other Sector:

The Corporation has extended financial assistance to the tune of ₹.190.25 crore to 223 (term loans only) cases belonging to the other sector (excluding SSIs & MSIs) during the FY 2012-13 (April to December 2012). The cumulative assistance to this sector stood at ₹.3670.59 crore covering 52,709 cases as at the end of December 2012.

Assistance to Weaker Sections of Society / Backward Districts :

The Assistance rendered by the Corporation to the weaker sections of society & first generation entrepreneurs during the FY 2012-13 (April to December 2012) & since Inception upto the end of 31st December 2012 is given below :

(₹. in crore)

Particulars	During the FY 2012-13 (April to December'12)		Since inception upto 31st December'12	
	No.	Amt.	No.	Amount
SC / ST Entrepreneurs	211	73.73	19357	522.34
Women Entrepreneurs	299	217.45	28481	2233.07
Minority community	122	56.29	18595	877.85
Backward Community	27	13.40	21696	315.52
First Generation Entrepreneurs	500	260.00	83765	5370.00

Management of Non-Performing Assets:

The Corporation has taken appropriate and timely action against tackling of Non-Performing Assets (NPAs). All the NPA accounts have been persuaded and recovery has been made and a number of units have been upgraded from sub-standard and doubtful category to performing assets. The Corporation has brought down the NPAs drastically. The Net NPA percentage which was as high as 57.63% in 2002-03 declined to 3.72% in 2011-12, as compared to 9.71% in 2008-09. Likewise, there has been a substantial reduction in NPAs in absolute terms from ₹.1193.35 crore in 2002-03 to ₹.349.33 crore as at the end of 31st March 2012. With stringent monitoring, the Corporation was not only able to bring down the NPA level but also arrest slippages of assets to lower asset categories and also improved its recovery.

Financial Results :

The details of profit earned by KSFC during the last 3 years is given below:

(₹ in crore)

Year	Operating Profit
2009-10	9.80
2010-11	5.59
2011-12	7.43

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

The Karnataka State Beverages Corporation Limited was incorporated in June 2003 to canalize liquor and thereby curb evasion of duty. Since then, the Corporation has uniquely positioned itself as a canalizing agency without stifling competition, thereby giving the consumer the right to choose.

During the fifth year of operation i.e. 2007-08, manufacture and sale of arrack was banned in the State from 1st July 2007. Consequent to the abolition of manufacture and sale of arrack in the State with effect from 01.07.2007, the sale of IML increased considerably, especially in the cheaper segment. The average sale of IML *per month* has grown to 27.12 in the year 2007-08, 30.27 lakh cases in the year 2008-09, 32.50 lakh cases in the year 2009-10, 38.60 lakh cases in the year 2010-11, 41.23 lakh cases in the year 2011-12 and 41.27 lakh cases in the year 2012-13 (up to 31.12.2012). This is on account of total canalization of spirit entrusted to the Corporation and the ban on manufacture and sale of arrack.

The operating results of the financial year 2012-13 i.e. up to 31st December 2012 are summarized below.

1. During the year 2012-13 up to December 2012, the total quantity of liquor and beer sourced was 379.59 lakh cases and 166.14 lakh cases respectively, valued at Rs10570.94 crores.
2. About 88.89 per cent of IML and 80.17 per cent of beer was sourced from manufacturers based within the state. The volume of imported IML stocks sourced from other States within the country and foreign brands was negligible. The Corporation sourced IML and beer from 131 and 33 manufacturers/suppliers respectively and made a payment of Rs.10357.26 crore to manufacturers /suppliers. In addition to the above, Rs. 991.07 crore was paid for spirit sourced during the period under review.

3. The total duty collected, including export sales for the current financial year upto December 2012 was Rs.7688.71 crore as compared to Rs.6215.25 crore for the corresponding period of the previous year. When compared to the previous year, the duty collected during the corresponding period of the current financial year has increased by about 23.71 per cent.
4. Sales turnover for the current financial year upto December 2012 was Rs.11348.33 crore (IML Rs.8856.12 crore, beer Rs.1501.14 crore and spirit Rs.991.07 crore). The volume handled was 371.43 lakh cases of IML, 160.24 lakh cases of beer and 2789.14 lakh bulk liters of spirit.
5. Sales performance of IML of various districts for the current financial year up to December 2012 reveals an achievement of 93.35 per cent of the target envisaged. As compared to the same period in the previous year, the recorded growth is 4.27 per cent for IML and 5.98 per cent for beer.
6. During the period up to December 2012, the total volume of rectified spirit handled is 2789.14 lakhs liters with a turnover of Rs.991.07 crore. Out of the above 200.25 lakh liters was imported and 855.83 lakh liters of spirit was exported.
7. The Corporation has registered a turnover of Rs.10357.26 crores from liquor operations and Rs.991.07 crores from spirit operations for the period ending 31st December 2012. The total turnover is Rs.11348.33 crores. The Corporation has earned an income of Rs.55.71 crores towards margin on the liquor and spirit canalized. Other income earned is of the order of Rs.29.31 crores by way of interest on advance to distilleries and deposits and demurrage charges. The total income earned for the period is Rs.85.02 crores.
8. Out of the income earned from the operations, the Corporation has paid privilege fee to Government of Karnataka as follows:

Rs. 21.50 crores for the year 2003-04	Rs.345.38 crores for the year 2007-08
Rs. 32.00 crores for the year 2004-05	Rs.479.64 crores for the year 2008-09
Rs. 41.00 crores for the year 2005-06	Rs.570.14 crores for the year 2009-10
Rs.165.54 crores for the year 2006-07	Rs.695.15 crores for the year 2010-11
	Rs.829.42 crores for the year 2011-12

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