

**GOVERNMENT OF KARNATAKA**  
**FINANCE DEPARTMENT**

No. FD 08 BPE 2018.

Karnataka Government Secretariat  
Vidhana Soudha  
Bangalore, Dated:19<sup>th</sup> November 2018.

**CIRCULAR**

**Subject: Budget 2019-20 – Revenue Receipts.**

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Instructions for preparing Revenue Receipts Estimate are issued in the following paragraphs for the preparation of Budget 2019-20.

**A. Receipt Estimates:**

**1. Tax Revenue:**

- a. The assumption of the Tax Revenue Receipts should be based on the current rates of taxation, duties imposed and fees levied under relevant Acts of the State Government. While arriving at the Revised Estimates for the current year over the assumptions envisaged earlier, the Estimating Officers should take into account relevant factors such as the target fixed, the progress of actuals and the anticipated additional yield from the measures of enhancement of existing taxes, the estimated loss of revenue on account of abolition or reduction of taxes consequent to the implementation of such taxation laws passed by the State Legislature after the Budget Estimates were finalized and presented.
- b. Likewise, the Budget Estimates for the next financial year should not be merely a repetition of the Revised Estimates arrived for the current year but should take into account all relevant factors such as tax arrears to be collected, the demand for the coming year and assumption of a reasonable higher growth rate in respect of tax revenue and also the performance in the previous years, the progress / trend of actuals of the current year and the impact of the new measures of taxation referred to in earlier paragraph.
- c. A Demand, Collection and Balance (DCB) statement should also be sent along with the Estimates for Tax Revenue. The year-wise arrears should invariably be shown separately as per the **Annexure-I** enclosed to this circular.

- d. Heads of Departments have to examine and indicate to the Government the possibilities of raising additional resources either by revising the existing tax structure or by proposing fresh taxation.

## 2. **Non Tax Revenue:**

- a. Non-Tax Revenue as a percentage of revenue receipts is declining over the past several years. The ratio of Non-Tax Revenue to GSDP has been negligible mainly on account of low and declining cost recoveries, poor performance of Public Enterprises and uneconomic pricing of implicit subsidies.
- b. One of the major reasons for the stagnation of Non-Tax Revenue is lack of regular and periodic monitoring by the Administrative Departments and the non-revision of user charges periodically. Finance Commissions have been recommending that user charges should be index-linked to input costs and that the process of periodic revision should become automatic. Accountant General made observation on Non-Tax Revenue in the report of C & A.G on state finances and opined to revise User charges to increase Revenue Receipts.
- c. Therefore, determined efforts should be made to step up collections under Non Tax Revenue over the present level of collections. All Administrative Departments should conduct a thorough review of all of Non-Tax Revenue sources and initiate action to revise the rates of Non-Tax Revenue / user charges before submitting Non-Tax Revenue Estimates.
- d. To revise the non tax revenue of various departments, a committee has been setup under the Chairmanship of ACS and Development Commissioner. The Committee is constituted to revise the non tax revenue by reviewing the rate fixed earlier and to bring in a system for regular revision of these rates. D.O letter has been issued on 11.08.2017 by ACS, FD to all Secretaries of departments requesting them to furnish information of revised rates of non tax revenue and multiple meetings have been held to this effect with departments. Therefore all Heads of departments should see that Non tax revenue pertaining their department has to be revised through a Government order and Revenue Estimates for the financial year 2019-20 should be sent based on the revised non tax revenues.

- e. Similarly, efforts should be made to collect interest receipts, dividends and capital recoveries from various Public Undertakings, Cooperatives, Autonomous Institutions and other Departmental Loans based on the terms and conditions of the loans, investment made and periodicity of the repayments. Based on this, the Departments should furnish realistic information for inclusion of estimates in Budget. There should be a strict monitoring mechanism in the Administrative Departments for achieving the targeted Estimates.
- f. Explanation for variations between the Budget Estimates 2018-19 and Revised Estimates 2018-19 and between the Revised Estimates 2018-19 and Budget Estimates 2019-20 should be furnished in detail in **Annexure-II** enclosed showing item-wise variations between the estimates referred to above and specific reasons for decreases or increases as the case may be. Reasons furnished for the variations must be specific and in detail.

### **3. Collection of Arrears:**

Heads of Departments are requested to launch a vigorous drive for collection of arrears, as resources will have to be raised for financing the budget the committed expenditure of earlier plan period, the administrative expenditure including the increases sanctioned from time to time in respect of Dearness Allowance and the expenditure on relief works connected with Natural Calamities, maintenance of law and order and Social Welfare Measures.

### **4. Loan Recoveries:**

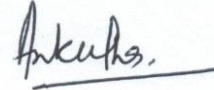
There are number of loans sanctioned in the past in respect of which the balances are still outstanding. Further, an analysis of outstanding loans given to Government Companies, Corporations, Local Bodies, Autonomous Institutions, Co-operative, Non-Government Organizations etc., for developmental and non-developmental activities shows that while outstanding loans are increasing, repayments have remained more or less stable. While the Government is borrowing at high cost from the market for its investment, the percentage of return on investments is much lower. The estimates of loan receipts should be based on the anticipated recoveries during 2019-20 with reference to the outstanding balances and the terms and conditions of the relevant loan. The estimates should be accompanied with a D.C.B. Statement as per the **Annexure-III**.

## 5. PAC Observation:

Public Accounts Committee has observed that bulk of the Receipts are getting classified under the Minor Head '800 – Other Receipts' as a result of which correct nature of Receipts pertaining to a Department is getting lost. Hence, it has recommended that such a practice has to be discontinued forthwith. Departments while sending the proposal for Budget 2019-20 to Finance Department, has to judiciously examine the nature of Receipt and classify it under an appropriate Minor Head. FD may be consulted in case of any doubt or clarification.

All Estimating Officers are requested to bestow their personal attention to the preparation of these Estimates and ensure that they are sent on a '**TOP PRIORITY**' basis in complete and final form along with Descriptive statement showing the difference between 2018-19 R.E and 2019-20 B.E. The Estimates shall be sent to Finance Department through IFA/ Secretaries of Administrative Departments before 22-12-2018.

The Circular along with the Annexure are available on the Website [www.finance.kar.nic.in](http://www.finance.kar.nic.in)



(ANILKUMAR JHA)

Principal Secretary to Government(B&R)  
Finance Department.

### To:-

1. The Principal Accountant General (A & E) / (G&SSA) / (E&RSA), Karnataka, Bangalore.
2. All the Principal Secretaries and Secretaries to Government.
3. All the Regional Commissioners.
4. All the Heads of Department.
5. All the Deputy Commissioners.
6. All the Chief Executive Officers of Zilla Panchayaths.
7. All Addl. Secretaries/ Joint Secretaries/Deputy Secretaries/Under Secretaries/ Section Officers in Finance Department.
8. All the Internal Financial Advisors.
9. The Compiler, Karnataka Gazette, Bangalore.
10. Office Copies/Additional Copies.

**Annexure-1****(Rs. in Lakhs)**

<b>Total Arrears Due</b>	<b>Year-wise Breakup</b>		<b>Deferment/Exemptions</b>	
	<b>Year</b>	<b>Arrears</b>	<b>Year</b>	<b>Amount</b>
	2017-18		2017-18	
	2016-17		2016-17	
	2015-16		2015-16	
	End of 2014-15		End of 2014-15	

**Annexure-II**

**Statement of Revenue and**

**Statement showing the variations in revised estimates for year 2018-19 and**

Head of Account	Budget Estimates 2018-19	Revised Estimates 2018-19	Variations between Budget Estimates and Revised Estimates Increase/ Decrease	Reasons for Variations

**Annexure-II**

**Capital Receipts Estimates by Major Head of Account**

**Budget Estimates for the year 2019-20**

Budget estimates 2019-20	Variations between Revised Estimates 2018-19 and Budget Estimates 2019-20 Increase / Decrease	Reasons for Variations	will be filled at Finance Department		
			Accounts 2017-18	Accounts for 6 months 2018-19	Opinion of Finance Department

**Annexure-III**

**(Rs. in Lakhs)**

Sl.No.	Loan Sanction No. & Date	Loan Amount	Due for 2019-20	
			Principal	Interest
(1)	(2)	(3)	(4)	(5)

Over Due Arrears			Year-wise Breakup Over Due Arrears				Reasons for Non-Payment As per Terms & Condition
Principal	Interest	Penal Interest	Year	Principal	Interest	Penal Interest	
(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
			<b>2017-18</b>				
			<b>2016-17</b>				
			<b>2015-16</b>				
			<b>2014-15</b>				
			<b>2013-14</b>				
			<b>End of 2012-13</b>				