



Government of
Jammu & Kashmir

**BUDGET
SPEECH**
2015-16

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Finance Minister

**22nd March 2015
Jammu**

Honorable Speaker,

1. I rise to present the Annual Financial Statements relating to the Receipts and Expenditure for the current year and the next financial year.
2. It is professionally a privilege and personally a pleasure to present the state budget to this legislature.
3. Without exception, every incoming finance minister has invariably declared with a dramatic flourish in this house that the "state coffers are empty". I shall not talk about the legacy that I have inherited as the finance minister.

4. Instead, I shall table in this session of the assembly, a white paper on the state finances done by an independent specialist research firm. That shall be the baseline against which the performance of this government can be judged.

INTRODUCTION

5. This government doesn't see a budget as an end in itself; it is a means to an end. The revenue and expenditure figures that are normally read out in a budget speech are only an accounting part of it. There is more to a budget than a statement of accounts.
6. A budget has a fiscal stance and strategy, a public expenditure structure and policy and a revenue mobilization plan and priority. More than the numbers, I believe that the House needs to get a broad sense of these to be able to have a meaningful debate.

7. But before I come to these routine and regular aspects of the budget, I want to share with this House the objectives of my maiden budget in the context of our state.
8. I hope to use the budget to enlarge the constituency of peace in the state. I hope to use the budget to share with the people of J&K the dividends of peace; something that they have been deprived of for many years. I hope to use the budget as an instrument for sustainable growth and balanced development within the state. In the process, I hope to have a budget in which the revenues cover the expenditures of the state government. It is a tall order but I can assure this House that this government will give it the best that we have with sincerity of thought and honesty of purpose.
9. There are three main themes in my budget; first, build the credibility and confidence of the

government in itself and its financial management.

10. Let me do this by asserting in this House that I shall not seek any financial assistance or grants from the Centre other than what is provided for in the Constitution of India for all the special category states as a part of the federal fiscal system.
11. In common parlance, I am asserting that I shall not go with a begging bowl to New Delhi. This despite the fact that we not only have a friendly government at the Centre, we also have an exceptionally sensitive and accommodating Union Finance Minister.
12. By doing so, I do hope to restore the dignity of the people of J&K who are forever being accused of surviving on subsidies and largesse.
13. The goal of our government is economic self-reliance and fiscal autonomy. All of us want the J&K government to be able to pay

not only for the salaries of its employees, but also for the development of its economy and the prosperity of its people.

14. Second, while the budget is about government's finances; it is also about private businesses. We have said in our Agenda for Alliance that economic policy shall not be formulated only for Government but for private businesses and enterprises. This budget is a first step in that direction.
15. The third theme of the budget relates to the elimination of corruption by making all government-public interfaces non-discretionary, criteria based and transparent.
16. The fiscal strategy and stance of this budget is expansionary. Not that I had much choice in it. With the people of the state in distress and the economy in shambles post the

devastating floods last year, it is the responsibility of the government not only to give relief but also to rehabilitate and reconstruct.

17. We will not be able to bankroll the entire rehabilitation on our own or even in partnership with the Centre but we will have to find ways and means of doing so. That is what the government is all about.
18. The public expenditure policy will be such that most of the additional increases will be in such sectors that will fuel growth and get the economy back on tracks.

BUDGETARY REFORMS:

19. Following the replacement of Planning Commission by NITI Aayog and the acceptance of the 14th Finance Commission Award we have completely changed the structure of our state budget. J&K is perhaps

the first state in the country to align its budget to the changes in the federal fiscal system.

20. All resource transfers from the centre to the state are now in the form of Finance Commission transfers. The plan transfers decided by the erstwhile Planning Commission have now been subsumed under those of the Finance Commission. As such, share in taxes, statutory grants, and plan grants are now a part of the Finance Commission transfers and hence statutory. All discretionary grants have been abolished.
21. In this new scheme of transfers, I have completely changed the framework of the state budget. Starting from the next fiscal, i.e., 2015-16, our budget will now have only two parts; the Receipts Budget and the Expenditure Budget. The expenditure budget will, in turn now have only the revenue and capital expenditure estimates.

22. The entire old classification of the plan and non-plan has been discarded. This is a major change which has far reaching implications on the allocation, efficiency and monitoring of public expenditure.
23. This change will demystify the budget to a great extent. Now there will be only two categories of expenditure, current and capital; the former being what is spent to meet our daily expenses and the latter is what is spent on making assets on the ground. In the years to come, we can start the mapping of asset creation with money that has been spent. This was impossible in the earlier classification. In the next budget we will provide this House with the details of the physical assets that have been created on the ground by the money that was spent.
24. Another benefit of the new budgeting system that I am introducing is that the large number

of government servants who would have to wait for months together to get their salaries under plan head, will not have to wait any longer. By shifting all the plan revenue expenditure onto the revenue side from 2015-16, the hardships of these employees will be a distant memory.

25. In the new system, we will formulate our own scheme of financing the state budget. We will change the Fiscal Responsibility and Budget Management (FRBM) Act next year to ensure that over the next three years, it is mandated that borrowings are used only to finance creation of capital assets.
26. The grants earlier flowing as plan grants now subsumed in the revenue deficit grants give a comparable figure of ₹ 54,446 crore during the 13th F.C period as against the 14th F.C recommended one of ₹ 59,666 crore. The total award of ₹ 1.26 lakh crore as against last

award of ₹ 79,067 crore is a good step up. More than the increase, the inclusion of Plan grants in the finance commission award reduces a major element of discretion in central transfers.

27. The total revenue receipts of the state in 2015-16 are budgeted to be ₹ 42,137 crore leaving a resource gap of ₹ 4,336 crore. This is going to be financed by prepositioning of the 14th Finance Commission grants without seeking any additional funding.
28. In 2015-16 the total public expenditure is budgeted to be ₹ 46,473 crore. Of this ₹ 11,246 crore is for building assets and infrastructure; the remaining ₹ 35,227 crore is for current or revenue expenditure. This is not a good position to be in. In fact, if anything, it should be exactly the other way round. But there is no way I can help it as it is a legacy of the last 30 years if not more.

29. The problem is very simple and all the honorable legislators must appreciate it: to spend ₹ 10,000 crore on the economy, the government is spending nearly three times that amount on the machinery that spends the ₹ 10,000 crore!
30. Revenue Expenditure during 2015-16 includes expenditure on account of salaries, vacant post provision, and DA reserve of ₹ 2,200 crore.

ISSUES AND INITIATIVES

31. The biggest issue facing us today is the rehabilitation of the flood victims. The previous Government had submitted a Memorandum to the Central Government seeking financial assistance of ₹ 43,960 crore over and above the SDRF-NDRF framework.
32. In the interest of speedy disbursement, we have no choice but to endorse it. But the fact

is that it I am neither convinced by the method in which it has been estimated nor the manner in which it has been designed. It is far too adhoc and arbitrary for comfort.

33. Also, there is need to refocus it along the following lines; first include not only areas that are "flood affected" but also those that are "flood impacted". Second is to move away from being asset-centric towards the restoration of livelihood. Third is to give some tangible relief to commercial enterprises and household on their liabilities – repayment and interest on the bank loans and taxation to government.
34. To ensure that rehabilitation is speed tracked, we have created a Relief and Rehabilitation Department. The department will coordinate all the relief and rehabilitation activities across all sectors. Also, with the World Bank ready to disburse \$250 million, we have created a

“Project Monitoring Unit (PMU)”. The PMU will be dedicated to monitor the multi-sectoral projects to be implemented under Flood Recovery and Restoration programme to be supported by the World Bank. This will also be the agency for other multilateral institutional funding that may be availed of in the future.

35. In the first instance three dedicated Project Implementing Units (PIUs) would be created in the major sectors: one each in PWD (R&B), Irrigation & Flood Control Department and in Srinagar Municipal Corporation (SMC).
36. The restoration of livelihoods will receive our focused attention and efforts; for which little seems to have been done. We shall be able to step up the level of economic activity only through revival of businesses – both trading and manufacturing.
37. We, as people, will make houses, provided our businesses restart. So one major part of

the rehabilitation exercise is to kick start the economy. *Jab dukan chal paday gee, makaan tou ban hi jaye ga!*

38. The devastation that we see in the valley and beyond is undoubtedly huge. But there is a greater hit. The impact of these floods is that the process of income generation has been disrupted.
39. You may not be surprised that the total income of the state has declined by 1.5 per cent in 2014-15 to a little less than ₹ 88,000 crore. With this the average per capita of a common man in J&K has declined from ₹ 59,279 to ₹ 58,888. These are advanced estimates. The actuals figures which will come out next year will be much worse.
40. As a result of the decline in GDP, the tax and the non-tax collection, the revenue collection of the state too has plummeted. With incomes

of people and businesses taking such a massive hit, it is but natural that revenues of the state government would also have suffered. The total receipts of the state decreased by ₹ 4,100 crore.

41. Notwithstanding these issues, I propose the following relief measures to reduce the liabilities of all those affected by the floods. This needs a sector-specific approach:
42. As a relief measure for Trade and Industry including all commercial establishments affected by the recent flood, I propose to waive off Demand Charges on electricity for seven months from September 2014 to March 2015.
43. The Transport Sector has also enormously suffered particularly during the floods of September, 2014. I propose to exempt such of the vehicles which remained off road due to floods, from September to December, 2014

from payment of passenger tax under the J&K Passenger Tax Act, 1963.

44. Post floods, the Government granted remission of stamp duty chargeable under the Stamps Act in case of instruments/documents executed between borrowers and the lending financial institutions on the fresh loans advanced by such institutions to the persons affected by the floods. This exemption is valid up to October, 2015. I propose to extend this up to March 31, 2016.
45. For the tourism sector which suffered colossal losses in the floods, I propose to continue the exemption under the GST in respect of lodging services provided by hotels, lodges and guest houses up to end March, 2016.
46. To give relief and help refurbish and rebuild hotel infrastructure, I propose to exempt all hoteliers from payment of entry

tax on furniture/office equipment/kitchen equipment/other goods imported into the state for replacement and refurbishment till June 2015. This will allow them to do the required replacement/facelift before the tourist season commences.

47. A large number of our farmers across the state have been suffering for four years. First it was conditions of drought, then it was disease and then the unprecedented floods. One part of their liabilities is in the form of Kisan Credit Card loans.
48. I propose to waive off 50 per cent of the KCC loans for the smallest and most vulnerable farmers who have an outstanding balance of less than ₹ 1 lakh. For this purpose I have earmarked ₹ 150 crore.
49. The basic condition will be that the accounts have to be standard as on August 31, 2014. For the purpose of the write-off the amount

considered will be the balance outstanding as on 31st March 2015. This money will be given to the banks who have issued these KCCs. In turn the banks will extend the relief to the card holders.

50. I am exploring the possibility of getting J&K declared as an area where all bank lending would classify as priority sector lending. I have engaged with the Governor of Reserve Bank of India in this regard and am awaiting his response. If that happens, it would not only increase the amount of bank lending in J&K but would also reduce the lending rates by 300 to 400 basis points.

REFORMS: SIMPLIFYING THE SYSTEM

51. The single most important aspect of government policy which attracts investment, both local and from outside, is the ease of doing business.

52. To do business in J&K, more than money and capital what an entrepreneur needs is patience and perseverance! To make starting and doing business easier, what is required are institutional reforms, enhancing capacities both in public and private arena, simplification of procedures, widening and deepening the process of dialogue and consultation and building stakeholderships that can drive government policy and action on ground. For the reforms to make doing business easier, institutions of public service delivery will need a total revamp.
53. With a view to simplify the system, the following measures are being proposed.
54. First and the most significant one is the outsourcing or privatization of toll collection at Lakhanpur. The basic motive is to ensure 24X7 efficient and corruption free working so that no vehicles remain stranded there.

55. The outsourcing will be done transparently on the basis of a secure contract including banking procedures and security, increased revenue and with a minimum guarantee fee.
56. Till such time as this changeover is done, I propose to introduce immediately a system of Gold, Silver and Bronze Cards for certain categories of registered dealers, so as to recognize traders of repute. Associated with each criteria-based card will be a certain access privilege.
57. A big source of discontent amongst our traders is the arrears accrued on account of principle tax, penalties and interest payable by them under J&K General Sales Tax Act 1962.
58. Similarly the industry is also confronted with the same problem as demands of tax, interest, and penalties have been raised on account of default of various kinds.

59. The problem of transporters/ Goods Carriers is also not very different from the one faced by the Industry and Trade. They need a one-time exemption from payment of penalty under the J&K GST Act, 1962 on the Goods' Receipts (GRs) seized and unauthorisedly released by them.
60. I do understand the difficulties of Traders, Industry and transporters but the Hon'ble High Court has placed an embargo on granting any immunity. However, I propose a comprehensive scheme granting immunity from payment of interest and penalty under the J&K General Sales Tax Act, 1962 to address the this issue subject to the condition that the principal amount is remitted in one go. The proposed scheme will also include grant of immunity on payment of penalty in case of Transporters/Goods Carriers on the Goods' Receipts (GRs) seized under

section 15-A(4) of the J&K General sales Tax Act , 1962 and unauthorisedly got released by them.

61. The decision to grant amnesty on payment of interest and penalty is not the best of practice or precedent. It is however desirable to clean up the system to make transition to the Goods and Service Tax Regime (GST) smooth. The amnesty scheme would, however, be subject to the directions of the Hon'ble High Court.

62. Under the existing provisions of VAT Act any industrial unit found guilty of an offence specified under Section 66(6), Section 67, Section 69(1)f, Section 69(1)g, Section 69(1)h, Section 69(1)k, 69(1)l shall not be entitled to any tax remission for the quarter in which such offence is committed provided that such default or offence is not repeated during the year.

63. With a view to giving relief in these difficult times, making this provision less stringent, I propose that industrial units committing an offence inadvertently under the aforementioned sections shall be liable only to pay tax, interest and penalty for the goods in respect of which error is committed, provided that, in case the error is repeated then the unit shall not be entitled to any tax remission for the quarter in which the offence is committed.
64. Formulating economic and taxation policy in an environment of litigation is not easy. I notice that there are nearly 3 lakh court cases with the Session and High courts. Nearly 500 of these relate to finance and commercial taxation. This involves around ₹ 400 crore causing an uncertain business environment
65. I propose setting up an Alternative Dispute Resolutions Tribunal (ADRT) which will be

empowered to speed track the settlement of all these cases. The mandate of the ADRT will be to encourage out-of-court settlement in a time-bound manner keeping in view the urgency of business and the loss of income that litigation causes.

66. The introduction of the VAT Act took away the concessions given in favor of CSD sales which become taxable as per the VAT schedules. This measure helped arrest the tendency of CSD goods being sold to civilians with a negative impact on tax revenues.
67. In my pre-budget consultations, the trading fraternity raised the issue of tax on automobiles purchased from CSDs situated outside the state where tax concessions are available at present also.
68. It is necessary to ensure that there is no flight of trade to the neighboring states in view of

lower tax rates. I will plug this loophole in the course of the year after getting the enabling change in the VAT act approved by the House.

69. Price rise in the essentialities of life is the major concern of the common man. The commodities like, Paddy, Rice, Wheat, Pulses, Floor, Atta, Maida, Suji & Besan are consumed by most of the people particularly the ones belonging to weaker section of the society. Most of these commodities are the staple food of people living in the State.
70. The present exemption on these commodities is expiring on 31st March, 2015. I propose to continue these items in the zero percent tax rate under the J&K VAT Act, 2005 for the benefit of common man as also the domestic tourists for another year.
71. At present, toll is levied on the import and export of fresh vegetables. I see no economic

logic in levying toll on the exports. I propose to exempt the toll on export of fresh vegetables. This should help promote the vegetable growers expand their operations. As regards toll on import, that shall continue as a protectionist measure.

72. The Government has to be seen as an enabler to foster growth particularly of local industry by creating a conducive environment for industry to flourish.
73. Over the years, the Government has been granting remission under the VAT Act to local industry so as to make it competitive in the market. We need to formulate a very comprehensive policy frame-work for giving incentives which would be primarily directed to give impetus to the local industry.
74. For now, I propose to extend the concession of VAT remission to the local industry by another year i.e. upto 31st March, 2016.

75. I don't believe in an economic policy and management that controls and has discretionary powers. I believe in rule based regulatory management.
76. A vestige from the license control raj is the negative list. There are many negative lists in the state; the two main ones being the negative list for VAT remissions and the negative list for toll on raw materials.
77. The items that are on the negative list are arbitrary and have no economic or business logic. Also, more importantly not only do they cause distortions, they also provide the environment for both wholesale and retail corruption. Vested business interests get their items put on the negative list and at operational level it gives the authority to seek gratifications.
78. Ideally there should be no negative list to VAT remissions, be it general or industry specific.

And as regards the negative list for toll tax, it must be seen as a tariff barrier and not as a revenue measure. Over time I want to move away from the concept of negative lists.

79. However, since a new industrial policy is being formulated and will be announced on the 1st of July, 2015, I shall link tax rates and exemptions with the new industrial policy. Till such time that it is done, existing incentives, and remissions will continue as on date unless specified otherwise. The existing Industrial Policy, with all its incentives and remissions will be in force till June 30, 2015.
80. I have avoided making any specific references but a couple of items need reclassifications. Aluminium foil is being used predominantly for packaging of food and medicines, yet it is taxed at 13.5% as an article of Aluminium. I propose to remove this misclassification and levy 5% tax on Aluminium foil as packaging material.

81. Similarly, during the pre-budget consultations, the Fruit Growers pointed out that "Tree Spray Oil" should be treated as an agriculture product. This demand appears to be just. I propose to place this commodity in zero percent tax rate under the VAT Act.
82. To improve personal hygiene, I propose to exempt baby diapers, adult diapers and female sanitary napkins from VAT.
83. To give impetus to the export, I propose to place almonds and its kernels in zero per cent tax rate under VAT on the analogy of walnut and walnut kernels.
84. I propose to abolish Aabiyana. Not only is it archaic and a vestige of feudalism, the collections from this irrigation tax are less than the cost of collection. The abolition will provide relief to all the farmers across the state.

REFORMING GOVERNMENT

85. The Bureau of Public Enterprises was created in the year 2013 to review, coordinate and evaluate functioning of 19 PSEs in the state. A task force had gone into the categorisation of the 19 PSEs and recommended certain measures for their revival.
86. However, time has come to bring out a comprehensive transformation of these enterprises to make them relevant to the contemporary market context.
87. I propose Business Process Re-engineering, financial restructuring and administrative reorganization of the ailing PSEs.
88. The first step in this direction will be to draw the PSEs out of the ambit of different administrative departments and bring under one managerial and administrative basket for holistic corporatization and financial restructuring.

89. All the public enterprises will be classified into two groups, financial and non-financial, and held in two holding companies. Once the re-engineering is complete, divestment will be done at the level of the holding companies. The J&K Bank, in which the state government has a majority stake and The J&K Power Development Corporation (J&K PDC) shall be kept outside the ambit of this restructuring.
90. The first step in the process of financial restructuring is that the budgetary support provided by the State Government to these PSEs over the years shall be converted into equity capital and accepted standard of accounting and audit shall be put in place.
91. The Government will also carve out some administrative departments and put them into the non-departmental fold. The prime candidate to start this change being the State Motor Garages (SMG).

92. One of the biggest departments in the state is the State Motor Garages. What may have started off as a small facilitating unit of the state when car manufacture was licensed and there was a queue to buy a car, it is now probably bigger than biggest transport outfit in the state!
93. The SMG is currently providing vehicles to the senior functionaries of the government as per the state car policy. The current system is very old and with increasing work of the government, it is becoming difficult for the SMG to cater to the needs of transport in an efficient manner.
94. The government will come up with a centralized policy of outsourcing transport services. Ideally, the SMG should move from being an administrative department to being a non-departmental undertaking. The first step is to make it into a PSE with one large dedicated client.

95. It will be infused with funds and if it works well, it could be hived off as a separate corporation. We can try an innovative solution of making all the operational people the shareholders in this enterprise. It goes without saying that this move will also reduce the extent of leakage and corruption in the system.
96. Not to speak of the savings that will be made. Since this will be done at the central level, the prices will be much less due to bulk assured business to private sector.
97. As and when a department requires transport on need basis, they can hire the services for required period and de-hire when not required.
98. The burden of hiring drivers, maintenance of cars, and fuel expenses up to the predetermined mileage level will be eliminated.

99. The downtime of government owned vehicles will be eliminated as the private sector provides a service level of 100% availability of vehicles.
100. It has been decided to implement the GPS tracking of all commercial and public service vehicles. This system will cover vehicles of JKSRRTC as well as other vehicles moving ration.
101. This will lead to much more real-time tracking of food grain movement as well as stopping pilferages. The system is intended to improve the road safety for citizens through effective monitoring by transport department and traffic police.
102. The cooperative movement offers opportunities to the people to form their cooperatives in gainful commercial activities for earning their livelihood in a socially inclusive manner.

103. I want to transform the cooperatives into socially relevant for-profit initiatives. Despite the fact that the structure and size of our enterprises is ideal for the cooperative movement, our state continues to rank as the least developed in terms of cooperative movement.
104. With a view to bring a turnaround in this situation and resurrect the cooperatives, I propose to amalgamate and reorganize the existing societies, including the marketing societies.
105. I do have a plan ready for this but the current rules are a hurdle. The government accordingly proposes to bring modifications of the relevant rules before the state legislature with for amalgamation, bifurcation, and/or reorganization of the Primary Agricultural Cooperative Societies.

106. The government has taken major initiatives in e-governance applications. Some of the G2C services such Building Permission, Registration of Deaths and Births, Public Grievance Redressal, Payment of Utility Bills etc. has been put in public domain through an online system.
107. I am sure that the IT department will make the system better and the reach wider, extending it to the mobile phones. On my part, I will make any online bill payment cheaper by 5 percent. Which means any utility bill that is paid online will get a 5 per cent discount. This should, I hope, promote the use of online services offered by the Government.
108. Efforts are on to bring other citizen based services under the e-governance programme. The Government has recommended Jammu and Srinagar cities for the inclusion under Smart Cities Mission. The state has also

recommended inclusion of Anantnag and Katra Town in the smart city mission as both these towns are gateway to the two important religions destination namely Amaranth Shrine and Mata Vaishno Devi Shrine.

109. The government will implement full suite of e-panchayat solution in J&K imaginatively through the Panchayati Raj department to bring transparency and radically transforming grass root governance in the state.
110. This will lead to automation of internal workflow processes of Panchayats to help in improving delivery of services to citizens. This solution will also help in enhanced Transparency, Accountability, Efficiency and RTI compliance of Panchayats. The solution will lead to strengthening of local self-government.

DEVELOPMENT INITIATIVES

111. The government will introduce a novel concept of a model business village. Unlike a model village which focuses on providing basic administrative infrastructure, these villages will focus on building a business. The government will create an integrated business infrastructure and foster a culture of modern business practices in these villages.

112. On a pilot basis, one village will be developed as a Model Basmati village in Jammu Division. One Model Apple village and one Model Saffron village will be developed in Kashmir Division. The Model Apple village, for instance will be provided with a small CA store, a grading and picking line and a packaging unit. This village will also be given the right root stock to develop a high density orchard. Similarly the Model Basmati Village will have all the facilities from growing, packaging and branding of basmati.

113. One village will also be developed in the Ladakh region to demonstrate the use of solar dryers and modern technologies for horticultural processing.
114. The Government proposes to lay focus on construction of Model ethnographic villages to showcase intrinsic cultural and heritage strengths of our people. The first pilot cultural village will be the one that was inhabited by Kashmiri Pandits. It will be re-built to recreate aspects relating to the tradition and culture of Kashmiri Pandits.
115. For Micro, Small and Medium Enterprises which have been declared sick, I propose setting up of an Asset Reconstruction Company in partnership with the J&K Bank. It will deal with stressed assets, do asset stripping where need be and formulate a revival package where it feels that the revival is possible.

116. Industrial Estates have been established in the State with an area of 31,335 kanals including two growth Centres one each at Samba and Lassipora. About a 1000 kanals of land are being developed either as new industrial estates or added to expand the existing ones.
117. We propose to have land bank of over 10,000 kanals across the state which we propose to develop as Industrial Estates.
118. The J&K economy is built on Small Scale Industrial units. There are 29,000 such units. The number of units under Medium and Large sectors has gone up to 83 with an investment of ₹ 4,084 crore. In all, over 1.5 lakh persons are employed by these units.
119. In order to develop backward areas, I am making provision of ₹ 35 crore in the budget for a higher capital investment subsidy on

plant and machinery to encourage setting up of new industrial units in such areas.

120. Further, I am making provisions of ₹ 10 crore for increasing the subsidy on Pollution Control Devices (PCD) from the existing 30 per cent of the cost of the PCD subject to an upper ceiling of ₹ 20 lakh to 50 per cent of the cost of the PCD subject to an upper ceiling of ₹ 35 lakh.
121. The food processing industry having immense potential in the state is gaining momentum with active support from the Ministry of Food Processing, GoI. Two Food Parks at Khunmoh and Doabgah, Sopore have been established for the purpose to encourage investment in the sector.
122. The Handicrafts and Handloom Sectors engage more than 4.10 lakh people as Artisans and Weavers.

123. With a view to make them economically self-reliant, credit with 10% interest subsidy from the State Govt. is being provided under the Artisans Credit Card Scheme where about 35765 Artisans have been benefited.
124. The Carpet Weavers are being provided with modern carpet looms to improve and enhance their production capacities. 7500 looms have so far been supplied to the Weavers since 2012.
125. The Dal lake is a global heritage. It is also an emotional heritage not just for the people of the valley but also from all over the country who have spent many a holidays in the shikaras of this lake.
126. I propose to float a Dal Development Bond for restoration of the Dal lake. I hope to make a pilot project to involve the non-resident state subjects of Jammu and Kashmir. I want to leverage their professional competencies,

financial strength, and emotional equity. If they participate in it, I can commit to you that in three years we will restore this lake to its pristine glory.

127. I am earmarking ₹ 150 crore as a “Secure Horticulture Future” initiative. The initiative is to raise the average productivity from the current level of 10MT/ha to the international level of 40-70 MT/ha.
128. Our mission is that 1 kanal of land should give the grower an income of ₹ 1 lakh; *ek kanal ka ek lakh*. To do this a three point package has been worked out.
129. First, to improve the Nutritional Management each district will be provided at least one soil & leaf testing laboratory so that growers apply judicious nutrients to their trees to improve the health of trees and produce quality fruits. Moreover there is a need to provide incentives

to the growers for establishing their own vermicomposting capacities.

130. Second, high-density orchards shall be incentivized to increase yield by at least four times. The cost of setting up 1 kanal of medium to high-density orchard varies between ₹ 75,000/- and ₹ 1,75,000. The planting material cost, on an average is ₹ 50,000/Kanal. This will be subsidized upto 50% to make it affordable for the farmers.
131. To replant apple trees with medium to high-density plants I am earmarking ₹ 150 crore.
132. There has been a lot of distress in the horticulture sector by the sale and use spurious pesticides. There have been complaints from all across the state about this for quite a few years now.

133. I propose two things; first is to set up a Pesticide Regulation Authority which will approve and monitor all the pesticides that go into J&K. Second, I will incentivize any reputed international firm to set up a unit in the valley where most of this distress has been felt.
134. Private partners are coming forward for post-harvest management of fruits by building cold storage facilities in the state. Government of India has approved 16 food processing projects units, to be constructed by private entrepreneurs.
135. The Government shall also rollout a Market Intervention Scheme for the Horticulture Sector besides ensuring that only good quality fruit is exported and adequate returns flow to the sector.
136. Further, for all commercial plantation crops, I propose to introduce a "loss of revenue

insurance cover". The annual premium for this will be part funded by the state. I hope this also acts as an incentive for these businesses to move from a transaction based accounting to a commercial business accounting.

137. Considering the need and imperative of an integrated and holistic development of Scheduled Tribes, it is necessary that welfare schemes, particularly the Tribal Sub Plan (TSP) is implemented on ground in a coordinated manner and is closely monitored for mid-course corrections as and when required. In the year 2008, a separate Directorate of Tribal Affairs was created with offices both at Srinagar and Jammu. However, this arrangement has not served adequately. On the pattern of Central Government, we shall create a Separate Department of Tribal Affairs. Necessary enabling changes will be made in the Business Rules so that the

concerns of Scheduled Tribes across the state are met with undiluted administrative response.

138. For promoting efficient use of electricity, the Government will promote use of LED based lights by different consumer categories. I announce a new scheme called "Suuya Bhatt Energy Efficient Consumer Scheme" and allocate an amount of ₹ 5 crore for the scheme.
139. To my mind the biggest deterrents to the flow of tourists is the high cost of coming into J&K. We shall take steps to persuade airlines to cut the tariff if possible.
140. The state government shall explore wet leasing arrangements and chartered flights during the peak tourist months of May, June and July. The fares of these could be capped so as to put market pressure on all airlines to hold their rates in an acceptable band.

141. The Government would also be open to looking at options, including revision in the tax on ATF, which could facilitate the reduction of air tariff structure of various airlines, to promote the influx of tourist in the state.
142. In deference to the Hon'ble Chief Minister's cherished desire to develop Jammu as an independent Tourism Circuit, adequate resource support shall be provided to the Tourism Department for creating the requisite infrastructure.
143. The problem of unemployment in the State of Jammu and Kashmir is one of the most serious challenges to the Government, Policy Makers and the Society as a whole. The problem has in fact assumed serious dimensions both in term of scale and intensity particularly with reference to educated unemployed youth who graduate from various

educational / professional institutions and join labour market.

144. The Government considers Youth and Entrepreneurs among the most important stakeholders to our governance agenda. Our endeavour is to make youth the most important resource in rebuilding J&K. As a tribute to their role in the recent floods, the Government announces dedication of the year 2015 to the youth.
145. Our mission is to Educate, Employ and Empower the youth of J&K. In order to prepare the young people to meet the challenges of the future, the government is planning a series of coordinated, progressive programmes and activities in the coming days.
146. Our Industrial policy shall be geared towards creating an enabling environment so that

Entrepreneurship becomes the natural career choice of the unemployed youth.

147. 'Employment through Enterprise' shall remain the sole policy preamble of the government to address the problem of unemployment. In order to create an overall enabling environment for Entrepreneurship and Self Employment in the State, the Government proposes the following immediate initiatives:
- a. Restructuring the J&K State Development Finance Corporation as a Start-up Finance Institution (SFI). The restructured DFC shall channelize local domestic household savings to fund local start-ups with lower risk and higher return.
 - b. Setting up of a Venture Capital Fund with an initial corpus of ₹ 100 crore to provide equity finance to promising start-ups. This fund will be placed at the disposal of the SFI.

- c. The J&K Self Employment Scheme (SES) shall be subsumed with Seed Capital Fund Scheme (revised) from financial year 2015-16.
- d. The Voluntary Service Allowance (VSA) paid to the educated unemployed youth will now be utilized to build their entrepreneurial capacities for self-employment.
- e. The government proposes to launch of a new scheme-Term Loan Scheme for Micro Enterprises- for the benefit of the youth belonging to non-minority population of the State who are not being covered under existing Schemes of the Ministry of Minority Affairs, Government of India. For this purpose, detailed guidelines will be issued by the Government in the month of April 2015.

GENDER AND GENERAL WELFARE INITIATIVES:

148. At the grass root level, women empowerment and emancipation will be inconclusive, without addressing the health and medical issues of Women.
149. According to the census of 2011, J&K has exhibited a fall in the sex ratio to 889. What is alarming is that the child sex ratio (6 – 10 years) has shown a very rapid decline. Among a host of interventions, financial security of the girl child holds paramountcy as it creates a positive disposition towards the girl child.
150. I propose to contribute ₹ 1000 per month on behalf of every new born girl child for the next 14 years and on reaching 21 years she would receive around ₹ 6.5 lakhs. To begin with, we can do a pilot in six districts with the most adverse child sex ratio.

151. On an average, every year about 1 lakh girls are born in the state. Even if we cover one third of this population, i.e. 30,000 girls across six districts, the total annual outgo would be ₹ 35 crore. Accordingly, I am proposing this amount and hope it will be continued for the next 14 years for every girl child born after 1st April, 2015, in six districts of the state exhibiting low and declining child sex ratio.
152. In a situation of civil strife that J&K has gone through, women have been the worst sufferers. As it is, women are susceptible to a number of such diseases which are specific to females; some of them are very debilitating, and affect overall wellbeing and self-esteem. Such diseases require early detection, and treatment.
153. I propose to start a scheme to provide succor to 50,000 widows and destitute women of the state. I propose to provide ₹ 100 crore for this

purpose in the form of an insurance cum saving scheme.

154. The scheme, which shall be called "Aasra", will have the following benefits. A zero balance saving account, life insurance of ₹ 25,000, an accident cover of ₹ 25,000, sickness and disease cover of ₹ 5000 and maturity/survival benefits of ₹ 25,000 after five years. Only widows or destitute women with no source of income shall be entitled to the benefits of the scheme.
155. The National Family Benefit Scheme is a centrally sponsored scheme which provides one-time assistance of ₹ 20,000 to those BPL families whose sole bread winner dies. The central assistance for this scheme is insufficient. I propose to top it up with an equivalent share of ₹ 20,000 every year. There are nearly 5000 cases every year which require such assistance.

156. There is a sizeable section of the deprived that is living on the margins of poverty but excluded from the BPL and cannot benefit from the NFBS. They are equally vulnerable and the death of the breadwinner pushes them into poverty and penury. An inclusive approach is needed for such low income groups. I propose to introduce a J&K State Family Benefit Scheme, wherein families whose income doesn't exceed ₹ 75,000 per annum and who lose their breadwinner and are not covered under any other benefits will get a one-time financial assistance of ₹ 40,000. A provision of ₹ 20 crore is being made for this scheme. This is in addition to a provision of ₹ 10 crore for the NFBS.

RESOURCE MOBILISATION

157. The VAT regime does not leave much scope for state governments to enhance tax rates. It is, however, necessary to explore the

sources of additional resource mobilization. This obviously has to be done by affecting the common man the least. I therefore, propose the following measures for mobilizing additional resources.

158. J&K is the only state in the country that has the power to tax services. By virtue of its GST Act, J&K has the power to tax both goods and services. All other states of the India have the power to tax only goods. The moot point is that J&K is a special taxation area.
159. Given the fact that according to latest estimates, service sector constitutes 57% of the GSDP. Yet its contribution to the state exchequer is next to nil. So far we have not been able to tap the entire potential of this sector.
160. List of services already notified is required to be expanded so as to make it more rational

and contemporary. Accordingly, I propose to include and /or recast the following services in the existing list as under:

- a. Services provided by advertising agencies other than the Newspapers.
- b. Security and placement services including manpower recruitment and/or supply agency services.
- c. Services provided by the Chartered Accountants, Cost and Works Accountants only in the shape of accounting and auditing services when their annual turnover is ₹ 5 lakh or more.
- d. Services provided by consultants, including survey, feasibility, exploration and impact assessment including technical testing/analysis services other than those already included in this schedule.
- e. Services provided by the beauty salons, health clubs, gymnasiums,

fitness/wellness centres, games/sport club or slimming centres.

f. Services provided by nursing homes.

161. I also propose to enhance the existing rate of sales tax in lieu of services by 2% under the J&K GST Act, 1962. This measure is expected to generate a revenue of ₹ 150 crore.

162. Incentives were given to promote use of information Technology tools viz. computers etc. As of now, this incentive does not exist in most of the neighbouring States of the country. Further, this incentive does not seem to have percolated to the intended beneficiaries as these goods are not available at cheaper rates in the State.

163. Besides, it has resulted in unethical trade practice. I, propose levy of 5% VAT on computers and computer peripherals. This is likely to garner resources to the tune of ₹ 10 crore.

164. Presently the inverters are taxed at 13.5% and UPS at 5% VAT. I propose to remove this dichotomy by applying a uniform tax rate of VAT of 13.5% on both as there is a possibility of misclassification.
165. Hon'ble Members are aware that Toll at Lakhapur is charged on weight regardless of value. I propose a modest increase of five paisa per Kilogram in the existing rates of toll from the next fiscal.
166. Excise Policy is a non-budgetary exercise and is being notified annually starting from April. This year too the new excise policy shall be rolled out before the close of current financial year.
167. The Apex Court has held that oral gift (*Hiba-e-zabani*) made by Muslims does not require registration. It is felt that the power to approve the mutation of oral gift should rest in higher authority not below the rank of

Deputy Commissioner concerned. Further, where the oral gift is to be made to any person or institution outside the blood relation, the prior approval of the Government in Revenue Department for carrying out the mutation by the Deputy Commissioner must be made mandatory. Law and Revenue Department will concretize the arrangements in this regard.

EMPLOYEES:

168. A large number of government servants have to wait for months together to get their salaries under Plan Head. Our government has decided to shift all the plan revenue expenditure on revenue account from 2015-16. This shall address to the hardships of these employees.
169. Two installments of Dearness Allowance (DA) due from January, 2014 amounting to 17% could not be paid to State Government

Employees/Pensioners so far due to financial difficulties faced by the Government in the aftermath of floods in the state.

170. The State Government Employees/Pensioners need to be appreciated for the patience shown in this regard. A budgetary provision of ₹ 2200 crore has been kept during the next year. DA pending March 31, 2015 shall be credited into the G.P. Fund account of the employees while DA will be paid in cash from April onwards. All employees covered under the National Pension Scheme (NPS) and pensioners will, however, receive the arrears in cash.

171. There has been persistent demand from the women employees of the State that they should be treated at par with Central Government Employees with regard to admissibility of Child Care Leave. The State Government is aware of the difficulties faced

by Women employees to look after their children.

172. As a gesture towards these employees, the Government proposes to introduce Child Care Leave in State Rules in terms of which, the Women Government employee shall become entitled to Child Care Leave of two years in entire service for taking care of two eldest surviving children whether for rearing or for looking after any of their needs, such as education, sickness etc.

173. Over the years around 61000 Casual/Seasonal labourers have been engaged at various levels by officers subordinate to the Administrative Departments. With the result, as of now, the State Government is confronted with a gigantic problem of regularization of more than sixty one thousand workers engaged on casual basis.

174. If the entire lot of such workers is regularized the financial implications shall work out to ₹ 1925 crore per annum approximately.
175. There is no doubt that these financial implications are beyond ways and means position of State Government. Even then, the Government needs to this long pending demand of regularization. For this, the Government will announce a High Power Committee of Ministers and some external experts to examine the issue and make recommendations.
176. The policy for regularization of DRWs/Work Charged Employees is already in place. However, due to understatement of DRWs at the time of initial reporting of number of such workers by the Departments to the Finance Department, a large number of DRWs were left out. In orders to extend the benefit of regularization to such left out DRWs, as well,

Government has decided to create 3,660 posts of Helpers for regularization of as much number of DRWs. The Government has also decided to create more posts of Helpers to cover such departments where from the information is still awaited.

177. The Law Officers of the Government such as Government Advocates, Public Prosecutors and Standing Counsels have been demanding a substantial increase in the scale of their monthly retainership. The lower scale of remuneration also has an adverse impact on the quality of service rendered. For better advocacy of Government concern in various courts and forums, I propose to earmark an additional amount of ₹ 2.00 crore for enhancement of the retainership of various classes of Law Officers. The Law Department will notify the details of enhancement.

178. Numberdars and Chowkidars are a vestige of an earlier era of revenue administration. In the modern system, especially after the 3-tier governance model has been institutionalized, they have lost relevance, prestige and social standing. It is not difficult to their very meager remuneration. The real question is how to fit them into the new system and make them productive functionaries. To deliberate upon this, including their remuneration, I propose setting up of a committee comprising the Finance Minister, Revenue Minister and the Rural Development Minister. This committee will examine all the relevant issues, discuss with the stakeholders and submit their recommendations within three months.

179. Hon'ble Speaker Sir! As the Hon'ble Members would have gathered by now, this is a budget that comes from the heart and attempts to

reach out to all those who are in distress and difficulty.

180. With these submissions, I commend the Annual Budget 2015-16 to this August House.