

Hon'ble Speaker,

ے مانا کہ شمع دیتی ہے، محفل کو روشنی
آندھی میں جو چراغ جلے، اُس کی بات اور

Sir,

With your permission, I rise to present the annual financial statement of the Government for the year 2013-14. This will be the fifth chapter in the new economic history being written by the coalition government led by our young, dynamic, courageous and visionary leader, Janab Omar Abdullah Saheb.

2. The economy remained buoyant during the current fiscal. In particular, the upward swing in the arrival of tourists and *yatris* continued. Alongwith the Government's tireless efforts of the last four years, the credit for attracting such a large number of visitors goes equally to our wise and understanding people who reaped the rich dividends of peace and normalcy.

Economic Overview:

3. I have presented the Economic Survey for the current fiscal in this August House. Notwithstanding the global economic slowdown and the national trends, it is a matter of satisfaction that our economic growth has shown consistency and once again maintained the upward trend witnessed in the previous three years. Our GSDP which was only ₹ **42,315** crore at current prices during the year 2008-09, is estimated to rise to ₹ **76,115** crore in the current fiscal. Over the last year's figure of ₹ 65,979 crore, the growth rate at current prices works to **15.36%**.

4. The corresponding GSDP figures at constant prices are ₹ 34,664 crore for the year 2008-09 and ₹ **43,628** crore for the current fiscal. The growth rate at constant prices over the last year's figure of ₹ 40,771 crore works to **7.01%**.

5. The National Development Council has adopted an annual average growth rate of 7.5% during the Twelfth Five Year Plan period. It would be relevant to point out here that the current year's national GDP growth rate was targeted at 6.7%. It is now being estimated that the achievement may remain only around 5%. The trends in the national economy are bound to influence our GSDP growth as well.

Per Capita Income:

6. At current prices, our per capita income figure was ₹ 30,212 in the year 2008-09. It rose to ₹ **44,533** last year and is estimated at ₹ **50,806** in the current financial year. At constant prices, our per capita income rose to ₹ **29,215** last year in

comparison to the figure of ₹ **25,641** in the year 2008-09. For the current financial year, it is estimated at ₹ **30,889**.

Sector wise Growth Status:

7. The Service Sector maintained its growth trajectory and rose at 10.10%. Its share in GSDP is estimated at 54.89% in comparison to 53.35% of the last year. The Primary or Agriculture & Allied Sector has grown at the rate of 3.84% and its contribution in the GSDP is 20.56% this year. The Industry Sector is estimated to have grown at 3.17% and its contribution to GSDP is 24.55%.

Fiscal Deficit:

8. The Thirteenth Finance Commission had asked us to gradually reduce our fiscal deficit and had also fixed the year wise targets accordingly. It is a matter of satisfaction that we have very well achieved those targets. For the year 2010-11, our actual fiscal deficit was 4.32% against the target of 5.3%. For the last financial year 2011-12, the prescribed target was 4.7% and the

achievement has been 4.54%. As per the new series of constant prices (base 2004-05), these figures have further improved to 4.15% and 4.29% respectively.

Key infrastructure projects:

9. Development of communication facilities and exploitation of energy resources hold the key to the success of every economy. I will very briefly mention the present status of major ongoing communication and energy projects in Central and State sectors.

Energy Sector:

10. The 450 Megawatt Baglihar HEP, Stage II is scheduled to be commissioned during the summer of 2015. Additional energy generated by this project will provide the much needed relief to the consumers during the summer months.

11. The 390 Megawatt Kirthai II, 93 Megawatt Ganderbal, 48 Megawatt Lower Kalnai, 37.5 Megawatt Parnai, 9 Megawatt Dah and 9

Megawatt Hanu HEPs are at various stages of tendering and allotment. The combined installed capacity of these projects shall be around 600 Megawatt.

12. Tenders for the 1000 Megawatt Pakal Dul HEP have been received and are presently being evaluated by the J&K State Power Development Corporation's Joint Venture Company. The tendering process for 600 Megawatt Kiru HEP has also commenced.

13. Under the Central Sector, 240 Megawatt Uri II, 45 Megawatt Nimo Bazgo and 44 Megawatt Chutak HEPs are in the advanced stages of completion.

Projects in IPP mode:

14. The pre-construction works on 850 Megawatt Ratle HEP allotted in the IPP mode are progressing satisfactorily. The JK SPDC has invited bids under the New Hydel Policy for 24 mini Hydel projects, all of them below 10 Megawatt. Their combined installed capacity is 150 Megawatt.

15. Presently, 37 mini-Hydel projects with a combined capacity of 373 Megawatt, involving an estimated investment of nearly ₹ 2200 crore are at various stages of production, execution or tendering.

Communication Sector:

Toll Plaza:

16. I am happy to report that the Toll Plaza at Lakhanpur has been completed at the cost of over ₹ 42 crore. It has been inaugurated by our Hon'ble Chief Minister, Janab Omar Abdullah Saheb on 13th January 2013.

Mughal Road:

17. The works got hampered due to very heavy snowfall during this winter. We are hopeful that this project will get completed during the next financial year.

Udhampur - Qazigund rail-link:

18. The civil works on this high altitude railway line have been going on as per schedule. Recently, the link between Banihal and Qazigund

has been put to successful trial run. The Udhampur-Katra railway link is likely to be commissioned in a few months' time.

National Highway 1A:

19. The works on four out of the total six segments of the national highway are progressing. We are pursuing the matter with the Central Government authorities for early decision on start of work in the remaining two segments.

Revised estimates (2012-13):

Receipts:

20. As per the Revised Estimates for the current financial year, the total budgetary receipts are expected at ₹ 34,311 crore as against the BE of ₹ 33,853 crore. This substantial improvement in the budgetary receipts has been possible due to a record high collection of State taxes, even though our share in the Central taxes has come down by ₹ 160 crore.

Tax receipts:

21. I am happy to report once again that like last year, our tax collections this year, too, are expected to be far in excess of the Budget Estimates. The Revised Estimates are ₹ **5,975** crore in comparison to the Budget Estimates of ₹ **5,419** crore, showing an increase of ₹ **556** crore. The growth rate works to about **26%** over the last year's collection of ₹ 4,745 crore.

22. The VAT collected by the Commercial Taxes Department is likely to reach ₹ **4,219** crore in comparison to the BE of ₹ 3,940 crore, **exceeding** the budgetary target by ₹ **279 crore**.

23. Our initiatives taken during the last two years have resulted into a further jump in the collections of Registration Fee and Stamp Duties. In comparison to the Budget Estimates of ₹ 152 crore, we are hoping to collect ₹ **271** crore. The RE figures indicate a jump of about ₹ **120** crore or about **80%** above the Budget Estimates.

Other tax receipts:

24. Other major items of tax receipts reflected in the RE are:

State Excise Duties: ₹ 413 crore, in comparison to ₹ 404 crore projected in the Budget Estimates;

Taxes on Goods and Passengers: ₹ 474 crore, in comparison to ₹ 461 crore reflected in the Budget Estimates;

25. Electricity Duty collections have been projected in RE at ₹ 423 crore in comparison to BE of ₹ 306 crore. Realization of this target is directly linked to the recovery of electricity charges from the consumers commensurate with the energy fed into the transmission system.

Non-tax receipts:

26. The total non-tax receipts were estimated at ₹ 2,118 crore in the BE. This figure has been modified to ₹ 2,819 crore, mainly due to the

higher revenue target of ₹ 2,352 crore given to the Power Development Department. The actual income from dividends, which has mainly come from the J&K Bank has risen to ₹ **89 crore** as against the BE of ₹ 70 crore.

Expenditure:

27. Out of the total budgetary expenditure, a sum of ₹ 25,237 crore is revenue expenditure in comparison to the Budget Estimates of ₹ 24,990 crore. The plan revenue expenditure is estimated at ₹ 1,242 crore in comparison to the Budget Estimates of ₹ 1,442 crore and the non-plan revenue expenditure is estimated at ₹ 23,995 crore in comparison to the Budget Estimates of ₹ 23,548 crore.

Salary expenditure:

28. During the course of the current financial year, two DA installments became due in favour of the government employees and

pensioners with effect from 1st January and 1st July, and have been promptly released. The Revised Estimates of the expenditure on salary and pension have been worked out at ₹ 14,700 crore including expenditure of ₹ 185 crore on salary of migrant employees.

Purchase of Energy:

29. The expenditure on account of purchase of electrical energy was budgeted at ₹ 3,100 crore. During the last summer, some areas of Jammu region faced unprecedented hot weather, resulting into increased consumer demand. Hon'ble Chief Minister, Janab Omar Abdullah Saheb was pleased to authorize purchase of additional electrical energy to satisfy this increased demand. The provision for purchase of energy has been accordingly enhanced to ₹ **3,875** crore to take care of purchase of additional energy as also the overall increase in its purchase price.

Budget Estimates 2013-14:

30. Now, I take up the salient features of the next year's budget. The total receipts and expenditure are estimated at ₹ 38,068 crore. Out of them, the total revenue receipts are estimated at ₹ 33,970 crore based on the *anticipated* size and the *pattern of financing* of the next year's annual plan.

31. The share of central taxes has been kept at the level of ₹ 4,485 crore as per preliminary indications, as against the current year's RE of ₹ 4,085 crore.

State's own Tax Revenue:

32. I am jacking up my target to ₹ **6,700** crore in the next financial year. This amounts to a targeted growth of **about 24%**, over the current year's Budget Estimates.

VAT Collections:

33. The VAT collections by the Commercial Taxes Department have been targeted at around

₹ 4,800 crore over the current financial year's BE figure of ₹ 3,940 crore, aiming at BE on BE increase of ₹ 860 crore, which works to a growth rate of **about 22 percent.**

Other Tax Collections:

34. The Excise Duty collection has been estimated at ₹ **423** crore. BE for Taxes on Goods & Passengers has been proposed at ₹ **516** crore. Keeping in view the remarkable growth pattern in the collection of Stamp Duty & Registration Fee, we have estimated its next year's yield at ₹ **320** crore. The collections from the Taxes on Vehicles are expected at ₹ **151** crore.

35. The target for collection of the Electricity Duty is ₹ 450 crore. As the Electricity Duty is directly linked to the sale of energy, its realization will depend upon how close the Power Development Department reaches to its targeted power receipts.

Non-Tax Revenue:

36. The non-tax revenue target is ₹ 3,033 crore. A revenue target of ₹ 2,541 crore is proposed to be assigned to Power Development Department. In a major initiative, the Government has decided to square up all the previous energy consumption accounts of the Power Development Department with the consuming departments as a one time exercise. From the next year onwards, no government office shall be supplied electricity without installation of meters and the focus shall be on economy in consumption of energy. The Departments shall be expected to live within their budgetary allocations and 100% recovery of power dues from the government offices shall be ensured by the Power Development Department.

37. Orders have been issued to all the Government Offices to shift to the use of CFL and other energy conservation devices.

38. In respect of all non government consumers, observance of the provisions of Law, Rules and the SERC Regulations shall be strictly adhered to in the matter of providing new connections, accounting for consumption, billing and recovery of dues of electricity.

39. As per Rules, the consumers have to pay surcharge on the electricity bills in case of delayed payments. It has been estimated that a surcharge amount of about ₹ 22.62 crore has become due from the domestic consumers who didn't pay their electricity bills in time. As a goodwill gesture of the Government, I propose to waive off this surcharge amount in respect of all domestic consumers who pay off all their pending bills before the close of the current financial year. This will be a one time relaxation.

Other non tax receipts:

40. Some other major components of non tax revenue collections are: dividends from J&K

Bank and other PSUs ₹ 95 crore, income from Forestry & Wildlife ₹ 68 crore, royalty and fees from Mining and Minerals ₹ 60 crore, irrigation charges ₹ 44 crore and Water Supply & Sanitation services ₹ 38 crore.

Expenditure:

41. The total anticipated expenditure is tentatively classified between revenue expenditure of ₹ 28,690 crore and capital expenditure of ₹ 9,378 crore. The non plan revenue expenditure is estimated at ₹ 27,096 crore.

42. The biggest chunk of ₹ **17,002 crore** is earmarked for payment of salaries and pension. This includes a provision of ₹ 700 crore for meeting the cost of two fresh installments of DA. Over and above this amount, the Grant-in-Aid of ₹ 783 crore to the autonomous bodies, is also primarily aimed at meeting their salary expenses.

43. An allocation of ₹ 3,579 crore is proposed in the next year's Budget Estimates for meeting the expenditure on purchase of energy. The next year's expenditure on payment of interest has been estimated at ₹ 3,300 crore. Maintenance and Repairs of assets is expected to involve an expenditure of ₹ 215 crore. A sum of ₹ 116 crore has been proposed on account of honorarium to SPOs and VDCs.

Annual Plan 2013-14:

44. The current financial year was the first year of the Twelfth Five Year Plan which has been formally approved by the National Development Council about a couple of months back. The size of our State's five year plan has been projected at ₹ 44,000 crore, up from ₹ 26,700 crore in the Eleventh Plan.

45. The Planning Commission of India is yet to approve our next year's plan outlay. However, we have held preliminary discussions on this subject

with the Commission. As such, I have included the plan proposals based on an outlay of ₹ 8,000 crore in my Budget Estimates. We have also projected a requirement of ₹ 600 crore under PMRP for the next financial year.

46. Out of the plan outlay, a sum of ₹ **1,000** crore is proposed as the State's share in Centrally Sponsored Schemes to access Central funding of ₹ **3,500 crore**. The breakup of the proposed plan outlay between capital and revenue expenditure is ₹ 6,436 crore and ₹ 1,564 crore respectively.

Agriculture:

47. Agriculture sector ranks very high in the Government's priorities. It is also very close to my heart. For the next financial year, a sum of ₹ 1,095 crore is proposed to be spent through the Agriculture and Animal Husbandry Departments under non plan. The corresponding plan provision is ₹ 328 crore. Thus this sector shall receive 3.74% of

the total budget spending during the next financial year. The funds available under the Centrally Sponsored Schemes like RKVY, Technology Mission, Saffron Mission, and those covering Animal Husbandry sector etc shall be over and above this provision.

48. Despite gradual increase in production and productivity in agriculture and improvement in its growth rate, our dependence on imports of food grains and other edible items is mounting, resulting into flight of capital from our State. The current problems of this sector lie in acute pressure on land for non-agricultural use. We shall have to maintain a balance between the land needs of rapidly growing infrastructure, particularly road communication and urbanization on one hand, and the prime needs of precious agriculture land for cultivation, on the other.

49. Availability of infrastructural back up, high quality inputs, improved technology, farm mechanization, post harvest management, storage,

establishment of mandis, marketing facilities, subsidies and development of agro-industries will continue to receive the government's attention to improve production and productivity in agriculture sector. The Government has already accorded approval to the enhancement of the quantum of subsidy to 75% to encourage drip irrigation which conserves water and meets critical irrigation needs in water scarcity areas, particularly in horticulture and vegetable production.

Integrated Livestock Development:

50. The Animal Husbandry Department is presently engaged in an exercise of formulating a scheme for opening of 500 Integrated Livestock Development Centres to cover about 3000 villages in far flung and inaccessible areas of the State through private sector involvement and with the assistance of locally trained staff. After stabilizing the programme over a period of five years, the concerned *panchayats* would be expected to take over these operations.

Education:

51. If Agriculture forms the backbone of economy, Education forms the core of human development. The goal of universalization of education is being approached through Mega Flagship Schemes like Sarva Shiksha Abhiyan (SSA), Saakshar Bharat Mission, Rashtriya Madhyamic Shiksha Abhiyan (RMSA) etc. The issues of gender gap are being attended through various interventions which include our own scheme of *beti anmol*.

52. The next year's non plan budget provides ₹ 3,287 crore for the Education Sector. The proposed plan allocation is ₹ 456 crore. Thus, 9.69% of the next year's budget is proposed to be spent in this sector. The funds available under the Central Mega Flagship schemes would be over and above this provision.

Health:

53. Next to education, but even more critical, is healthcare. The next year's non plan

allocation in this sector is ₹ 1,534 crore. The plan allocation is proposed at ₹ 326 crore. Thus, the budgetary allocations for this sector would be 5.15% of the next year's budget. The funds available under the Mega Flagship Scheme of NRHM and other Central interventions shall be available over and above these allocations.

Industry:

54. The non plan allocations for the industrial sector are ₹ 221 crore. The proposed allocation under the plan is ₹ 123 crore.

55. Our handicrafts exports had come down due to the global economic crisis. It is very heartening to note that they are regaining their lost ground and last year their exports increased to ₹ 1,643 crore. This is essentially due to the hard work of our artisans, especially carpet weavers who have been making a very significant contribution to our economy.

56. The Government has distributed **2000 modernized carpet looms** to the carpet weavers in the current fiscal, out of a total target figure of 8,000 looms, under the Mega Carpet Cluster Scheme.

57. On the directions of the Hon'ble Chief Minister, Janab Omar Abdullah Saheb, the government has come out with an innovative idea of issuing Artisan Credit Cards to the artisans, on the pattern of Kissan Credit Cards. To begin with, the Handicrafts Department has planned to issue 11000 ACCs in the current financial year, with the credit facility of up to one lakh rupees per card. Out of this, 10,000 cards have already been distributed. Credit worth ₹ **86 crore** is expected to be approved in the current financial year, mainly through J&K Bank. Each card holder will enjoy **interest rebate of 10%**, which shall be **borne by the Government**.

Tourism:

58. Tourism, like handicrafts, is a remarkable strength of our economy. A sum of

₹ **237** crore is proposed to be allocated to this sector under plan and non plan budget. Extension of tourist facilities, addition of more tourist attractions, strengthening of tourist infrastructure and dispersal of tourism to many other beautiful spots of the State shall continue as the Government strategy for development of sustainable and eco friendly tourism.

59. For developing Jammu and its surrounding areas into an independent tourist destination, the Government is executing a large number of tourism development projects, which are estimated to cost about ₹ **333 crore**. These include restoration & preservation of Mubarak Mandi complex, beautification of Raghunath Bazar, development of Tawi Front, installation of ropeways, border tourism at Suchet Garh and Baba Chamliyal, development of Mansar and Surinsar lakes, development of Chenab bank in Khour block, development of Rajouri - Poonch circuit and Baderwah - Kishtwar circuit; and development of a

host of other places of cultural and religious significance like Shiv Khori, Peer Khoh, Sukrala Devi, Nangali Saheb, Buddha Amar Nath, Sarthal Devi etc. The prestigious Artificial Lake project at Jammu, estimated to cost ₹ 70 crore is likely to be completed during the next financial year.

60. Likewise, with a view to maintaining the charm of Kud, Patnitop and Batote areas, various schemes costing **over ₹ 18 crore** have been approved, including installation of passenger ropeway, illumination of Kud, creation of budget accommodation and cafeteria, development of Sanasar meadows etc.

Housing & Urban Development:

61. The sector is to receive non plan allocation of ₹ 374 crore and plan allocation of ₹ 371 crore during the next fiscal. Funds available under the Mega Flagship Scheme of JnNURM, other Centrally Sponsored Schemes and World Bank Funded Schemes through ERA shall be over and above these allocations.

62. The issues concerning decongestion of core areas of Capital Cities, development of satellite markets in the peripheries, creation of warehousing facilities in the outskirts, widening of the city roads to the extent feasible, creation and widening of traffic roundabouts, additional bridges, flyovers, mass rapid transport system, traffic regulation, development of parking lots and similar other measures are receiving government's attention. Various programmes for development of proper drainage systems, augmentation of drinking water supply, improvements in sanitation, solid waste development, sewage disposal, creation and maintenance of parks and beautification of cities and towns are under execution under the World Bank funding through ERA, Central Schemes and the State Plan.

Other sectors:

63. I will not like to take the precious time of Hon'ble Members with the details of allocations or priorities of other sectors. The 12th Plan Document

lays emphasis on “Faster, More Inclusive and Sustainable Growth”. The next year’s plan proposals have been cast around this basic theme. The allocations aim at the objectives of safe drinking water to all, road connectivity to habitations of over 250 persons, removal of unemployment, dispersal of job opportunities, welfare of Scheduled Castes, Scheduled Tribes, Pahari Speaking People, other weaker sections of the society, Kashmiri migrants, women, children and the elderly, with special focus on border blocks, backward areas and bad pockets.

64. Late Janab Sher-e-Kashmir used to give lot of emphasis on the effective operation of mobile schools for the children of the Gujjars and Bakarwals when their families migrated to highland pastures during the summer months, so that these children are not deprived of the wealth of basic education. At present 98 such mobile schools are under operation. This number is highly insufficient to meet the increased requirements of education of

these children. As such, the Government proposes to open **additional one hundred** such mobile schools during the next financial year.

65. I propose a plan allocation of ₹ 266 crore and a non plan allocation of ₹ 147 crore, taking the total allocation to ₹ 413 crore for the Social Welfare Department. This includes a provision of nearly ₹ 50 crore under the Tribal Sub Plan.

66. Some other proposed provisions are: ₹ 194 crore for Constituency Development Fund, ₹ 164 crore for Leh, ₹ 159 crore for Kargil, ₹ 128 crore for Border Area Development Programme and ₹ 52 crore under BRGF.

67. I propose to bring nearly 69,000 left out cases of physically challenged persons, destitute women and old age persons under the ambit of Integrated Social Security Scheme for which I propose an allocation of ₹ **21** crore in the next year's budget.

68. In the prevailing system, solemnizing of marriage of a girl by her widowed mother becomes difficult, particularly if the family is passing through indigent circumstances. Our society has a large number of orphan girls.

اگر یہ چاہو کہ سر پر ہونیکوں کا تاج
سر یتیم پہ شفقت کا ایک ہاتھ رکھو

I propose to **provide financial assistance of ₹ 30,000** to facilitate marriage of each orphan girl who has attained the marriageable age, passed matriculation and belongs to a BPL family. I propose to make a provision of ₹ 3 crore in the next year's budget for this purpose. The modalities of sanction and disbursement of financial assistance shall be worked out by the Social Welfare Department in consultation with the Finance Department.

69. The Cancer Treatment & Management Fund for Poor is doing an excellent job ever since

its creation in July 2010. In the current year, assistance of over ₹ 76 lakh has been provided in 335 most deserving cases. I had announced a contribution of two crore rupees to the Fund for the current fiscal. The Government employees also came forward to participate in this noble cause.

70. For the next financial year also, I propose a contribution of ₹ 2 crore to supplement the corpus of the Fund. I repeat my appeal to the government employees to continue to contribute generously to this noble cause.

71. In addition to this, I also propose a contribution of ₹ 2 crore for the Medical Aid Trust headed by the Hon'ble Chief Minister, which is providing help to the poor and the needy in fighting other serious ailments.

72. I also propose to make an annual provision of ₹ 50 lakh from the next year's budget to extend financial help to the acid victims, keeping in view the directions of the Hon'ble Supreme Court.

73. The amount of *ex gratia relief* in favour of next of kin of members of the J&K Police attaining martyrdom due to violence or militancy related incidents has been increased to ₹ 7 lakh from the existing amount of ₹ 2 lakh.

74. Protection of environment and preservation of ecology will be the core consideration of all development schemes. PPP mode shall be adopted in all feasible situations for speeding up the implementation of programmes. Private sector investment shall be encouraged. Use of Information Technology and transparency in governance shall be given a further push. The development projects shall continue to be monitored closely to ensure proper utilization of allocations made in the budget.

75. Institution of *panchayati raj* shall be further strengthened. A sum of ₹ 195 crore is available for devolution to the *panchayats* in the current year. For the next year, this amount would be ₹ 231 crore. The *panchayats* shall also receive

all the requisite funds, assessed between ₹ 1300 crore to ₹ 1500 crore, for implementation of the schemes like MG-NREGA.

Employment Generation and SKEWPY:

76. As the Hon'ble members are aware, **SKEWPY** is an integrated programme which helps us in keeping the burning issue of educated unemployment in focus. The number of registered educated unemployed persons with the District Employment and Counseling Centres (DECCs) is about 4.89 lakh as on 31st December 2012. The DECCs conducted 177 counseling sessions benefitting over 4500 unemployed youth in the current fiscal.

77. The number of beneficiaries under the Voluntary service Allowance (VSA) Scheme has crossed 36,000 as on 31st March 2012. It involves annual expenditure of over ₹ 40 crore.

78. Under the Self Employment Scheme, 3615 units were set up last year and a sum of about

₹ 114 crore was disbursed among the beneficiaries. In the current year, 3823 units have been set up by the end of January 2013, involving expenditure of about ₹ 110 crore.

79. As of 28th February 2013, the number of prospective entrepreneurs trained by J&K EDI has reached 5,802. Projects have been identified for 3,624 trained entrepreneurs under the Seed Capital Fund (SCF) Scheme. The number of cases approved by the Steering Committee for release of SCF is 2,461 benefitting 2,573 entrepreneurs. The total cost of their approved projects is ₹ 262 crore, for which the Seed Capital contribution comes to about ₹ 82 crore.

80. The JKEDI is being given a target of setting up of additional 3,000 enterprises and utilization of additional Seed Capital Fund of more than ₹ 50 crore during the next financial year. Under the newly launched Youth Startup Loan Scheme, direct financing of enterprises shall also be done by the JKEDI in an off bank mode.

81. The Government has approved a road map for skill up gradation of 9 lakh persons during the 12th Five Year plan period so as to improve their employability and earning capacity. A large number of institutes and training centres, under the Government as well as non government organizations, in the urban and rural areas are being involved in the programme. Focus shall be on unemployed youth belonging to the backward areas and less privileged sections of the society. As a part of this initiative, a beginning is being made through a free of cost skill up-gradation programme for 200 youth of border blocks in the Tool Room at Ludhiana. In a similar step, sons and daughters of the construction workers, numbering 200, are proposed to be trained outside the State through the J&K Building & Other Construction Workers Welfare Board. An allocation of over ₹ 30 crore is proposed to be kept apart for this purpose through the BOCW Welfare Board, SJSRY, Border Area Development Programme and SCA to STP for this purpose.

82. Commitment of 25 Corporate Bodies across the Country has been received under the banner of UDAAN, to train up 25,000 of our youth in skills leading to jobs through higher and better qualifications. Job offers have already begun to be received by the trainees of initial batches who successfully completed their skill up gradation courses.

83. Under the initiative of HIMAYAT, one lakh youth are to be targeted, during a five years time frame, for skill development and placement. The Special Scholarship Scheme envisages providing 5000 post 10+2 scholarships **per annum** during a five years time frame, to the students of our State for acquiring higher professional and academic degrees leading to the available job market.

84. During the last four years, about 50,000 unemployed boys and girls have been selected for

government jobs by the PSC, J&K SSB, Police Recruitment Board and other agencies. Hon'ble Chief Minister has issued directions to all the concerned organizations to further fast track the recruitment process, and it is hoped that 70,000 to 80,000 posts shall be filled up in the next two years.

Revamping of VAT Administration:

85. The operations of Commercial Taxes Department have been computerized to a great extent. Extended application of Information Technology in its operations is in the offing. Facilities of downloading forms and e-filing of returns have been made available to all the registered dealers. I appeal to them once again to come forward and make maximum use of these facilities on voluntary basis, ***before I choose to make it compulsory.***

86. The expanding activities and volume of business has necessitated restructuring of the existing organization of Commercial Taxes Department, including the need to provide additional

Circles at the business centres where a considerable number of additional registered dealers have come up in the past few years. Coupled with these requirements is the need to operate Lakhanpur check post on 24X7 basis. A **comprehensive restructuring** of the Excise and Taxation Wing **will be undertaken** during the next financial year to realize these objectives.

Re-structuring of public sector enterprises:

87. The Government's sustained efforts for making a turnaround in the functioning of the Public Sector Undertakings have started yielding results. Some of the loss making Corporations have shown improvements in their financial results. The J&K State Financial Corporation is expected to come out of the red during the next financial year. The State Power Development Corporation is showing good business results and is moving in the direction of listing itself on the stock exchange following the footsteps of J&K Bank.

88. Some Corporations owe an estimated total sum of ₹ 95 crore to their serving and retired employees by way of CPF contribution and gratuity etc. In a major initiative, the Government has decided to clear off these pending statutory liabilities in a two years time frame. Accordingly, I propose a sum of ₹ 50 crore in the next year's budget as special budgetary support to the financially weak Corporations, over and above the normal budgetary support of ₹ 59 crore.

PART B

89. Sir, now I take up the second part of my proposals pertaining to taxation and other related matters. First of all, I will deal with the peace dividends, as our Hon'ble Chief Minister prefers to call them.

Continuing with the concessions:

VAT relief on basic food items:

90. Some states have been charging VAT on the basic food items like *atta*, *maida*, *suji*, *besan*,

pulses, paddy and rice etc. In consideration of the food inflation which started some time back as a national phenomenon, I have been keeping these items outside the scope of VAT. The extended period of exemption granted to these commodities expires on 31st march 2013.

91. I had estimated the annual loss of revenue due to these exemptions at ₹ 200 crore during the year 2011. Keeping in view a limited tax base of the State, there is a pressing need for mobilization of additional resources through all possible routes. However, keeping the overall public welfare in view, I propose to extend these exemptions further up to the 31st March 2014.

VAT relief to Industrial units:

92. At the cost of repetition, I may recall that our registered industrial units have been enjoying tax concessions like exemption from Sales Tax and Toll under the package of incentives announced by the government from time to time. With the

switchover to VAT regime, the Sales Tax exemptions were converted into remission of VAT. These remissions cost the exchequer about ₹ 360 crore during the last year.

93. Hon'ble Members of this August House are also aware about the Union Government's intention to replace the existing multi level taxation system including VAT, by a uniform national level Goods and Services Tax or GST regime. However, a final decision in this regard is being deferred from year to year.

94. As a consequence, I have been extending the present arrangement of VAT remission to the industry from year to year. Last year, I had announced the extension up to 31st March 2013. As the situation remains unchanged, I announce further continuation of the existing arrangement up to 31st March 2014 or till adoption of the new GST regime by our State, whichever happens earlier.

95. The GST regime will impact the existing package of incentives for the industrial sector. It will be necessary that the Government and the Industry study its possible impact sufficiently in advance, and remain fully prepared to reorient the incentives to suit the new environment when the switch over takes place. Detailed consultations with all the stakeholders shall be necessary to make this exercise comprehensive and meaningful.

96. It has been pointed out by the industry that the current Entry Tax exemptions have started hurting the viability of some local industrial units. Besides, there are some procedural and legal issues pertaining to the administration of VAT remission which are required to be resolved in the mutual interest of the Government and the Industry after their threadbare examination.

97. The present land lease policy needs to be given a fresh look, especially in the context of a long standing demand for giving free hold rights to the Permanent Residents of the State. It is argued

that if such a liberalized policy is adopted, it shall also be helpful in quick revival of the closed down and sick industrial units.

98. The industrial organizations have also been suggesting formulation and approval of sub-packages by the Government to take care of specific needs of industrialization of industrially backward areas in the State, and to catalyze the generation of employment through exploitation of locally available resources in these remote and backward areas.

99. For meeting all these objectives, I propose immediate constitution of a Standing Task Force comprising the senior officers from the fields of finance, planning, taxation, industries & commerce, representatives from the industry, professional experts and other stake holders. The Standing Task Force shall be directed to examine all these and other emanating issues; and suggest workable solutions, in a highly time bound manner so as to enable the Government to take appropriate

decisions, separately or collectively on all such issues.

Taxes on Hotels:

100. I had announced several concessions and exemptions in favour of the tourism sector in view of its fluctuating fortunes. The hotel tariff tax concession has been extended by me on year to year basis, up to 31st March 2013.

101. The last two summers in case of Kashmir and Ladakh and two full years for Jammu have witnessed a boom in arrival of tourists and *yatris*. This year, the Government came out with a comprehensive package for promotion and expansion of this sector so that the gains of the tourist boom are consolidated. Therefore, to facilitate the pace of consolidation, I announce continuation of the existing exemptions for this sector for another financial year commencing from the first April, 2013.

102. Hospitality is **ingrained** in our culture. Our **food items** are a great attraction for the visitors. At present VAT applies to the sale of cooked food items sold by the hotels, restaurants, food joints, *dhabas* etc at the **rate of 13.5%**. I propose to **reduce this rate to 5%** with a view to giving further boost to this sector.

Some more support to our farmers:

103. Our Hon'ble Chief Minister, Janab Omar Abdullah Saheb has desired to make agriculture tax free. In accordance with his wishes, I had announced a slew of tax concessions for this sector through my previous budgetary proposals submitted before this August House. This year too, I propose to continue my endeavor in this direction.

104. Use of small tractors, power tillers and some power driven implements or attachments like threshers, disc harrows, seed drills etc by the farmers is being encouraged by the Government through cash subsidies under the farm

mechanization programme. I propose to **wholly exempt** such subsidized small tractors, power tillers and other agricultural implements and attachments **from the levy of VAT.**

105. Agricultural credit up to ₹ 25,000 has been kept exempt from the levy of Stamp Duty. In view of the increased requirements of agricultural credit by our farmers, I propose to **enhance the present exemption limit** of ₹ 25,000 by **six times**, to **₹ 1,50,000** in case of each **Kissan Credit Card**. Similar enhanced limit of exemption **shall also be available** to the holders of **Artisan Credit Cards**.

106. **Saffron** was traditionally grown in Pampore area of Kashmir. However, its cultivation is now being extended under the Saffron Mission, to many other areas including hilly belts of Jammu Division. The sale of saffron attracts VAT @ 13.5%. In order to boost the rural economy through its extensive cultivation, I propose to **reduce VAT** on saffron **to 5%.**

107. The sweetness of honey is proverbial. For many of our farmers, bee keeping for production of honey is a very rewarding side activity. To further increase the sweetness of their honey, I propose to **fully exempt** honey from the **levy of VAT**.

Tax rates on some trade goods:

108. Now I take up the VAT rates on some trade goods.

109. It has been my continuous endeavor, to always look for improvements in the Government's public interface, even in the matter of tax collections. I believe this to be essential for better tax compliance. For this purpose, regular interactions with the concerned stake holders are necessary. Apart from my personal interactions with the representatives of the trade and industry, I have also created a formal standing grievance redressal mechanism at the official level. I proceed to deal with the important issues which emanated from these useful interactions.

110. Our State is famous for the skills of our craftsmen in creating very attractive made ups like bags, purses, tea cozies etc in which crewel cloth and embroidered or chain stitch fabrics are used as the primary raw material. These fabrics are already exempt from VAT. However, their made ups attract VAT @ **13.5%**. I propose to **fully exempt** their sale from payment of VAT.

111. As a measure of energy conservation, the Government has issued directions to all its offices to switch over to the use of CFLs. All electrical goods including CFLs are taxed at the rate of **13.5%**. With a view to **encourage its use by the common consumers**, I propose to **reduce** VAT rate on CFL to **5%**.

112. Items like durries, quilt & blanket covers, table cloth & table covers, mufflers, bed spreads, pillow case & pillow slips are being taxed under the VAT Act at **13.5%**. Items like floor coverings, spread sheets, *masnads*, *dastarkhwan* are also taxable @ 13.5% as items not specified in any other

schedules. The Value Added Tax on bed sheets, bed covers and pillow covers is being charged at 5%. The woolen blankets are the only commodity not attracting VAT. The existing classification appears to be quite complex and causes disputes at the time of assessment of VAT. In order to remove such problems for future, I propose to **place all these items** under the uniform VAT Schedule of 5%.

113. Items of worship like *dhoop*, *agarbatti*, *havan saamagree* have been already exempted by me from levy of VAT. It has been brought to my notice that *guggal dhoop* and *havan samagri* when sold in loose, continue to attract VAT at 13.5% as they are treated as items not specified in any other schedule of VAT rates. Similarly, idols for worship also attract VAT at 13.5%. Therefore, I propose to **wholly exempt** idols made of stone (other than precious stones) or any type of clay, ***havan samagri (packed or loose)*** and ***guggal dhoop*** from the levy of VAT.

114. Raw wool has been kept in zero rated list of VAT. However, ***pashmina wool*** attracts VAT at **13.5%** as unspecified item. *Pashmina* wool is a very important raw material which is produced and sold in Ladakh. It supports a highly labour intensive and prestigious industry of all the three regions of our State. I propose to **wholly exempt** raw pashmina wool from the levy of VAT.

115. I have already provided exemption from **payment of Toll** on the jute fabric brought from outside, by the J&K Women's Development Corporation, for consumption by the Self Help Groups of women for making environment friendly jute bags which are used by the *yatris*. As a further gesture of my goodwill for these Self Help Groups, I propose to **wholly exempt** the import of jute fabric **from the levy of Entry Tax** also.

Some VAT rationalization measures:

116. After the J&K VAT Act came into existence in the year 2005, some discrepancies and

anomalies crept into the rate schedules notified under the Act, such as:

- a. As per Schedule D-1, 'pipe-fittings' are taxable at 13.5%, but as per Schedule C, 'pipes of all varieties including fittings thereof' are taxable at 5%.
- b. As per Schedule C, 'handmade or machine made washing soap (except detergent based)' are taxable at 5%, whereas 'detergents' and 'soaps' are taxable in schedule D1 at 13.5%.
- c. 'Cables of all types' and 'Wires and Cables' are taxable in Schedule D1 at 13.5%, but 'industrial cables' are taxable in Schedule C at 5%.
- d. 'Electronic toys' are taxable at 13.5% by default. The present manner of classification leaves out the 'electrical toys' in a zone of confusion and dispute.

- e. 'Aam Papad' is taxable at 5%, and 'Aam Candy' is being taxed at 13.5% as an unspecified item.

117. The concerned trade goods described here are not very clearly distinguishable from each other. Their existing method of classification is deficient and gives rise to misclassification and disputes at the time of assessment of VAT. I propose to **rationalize** and **restructure** the existing classification after transposing the items mentioned by me, from the existing Schedule C into Schedule D1.

Making the VAT system more dealers friendly:

118. In view of the problems faced due to some of the existing statutory provisions, I propose to modify and simplify them in the following manner-

- a. In case of an offence committed under sub sections (5) and (10) of section 67 of the J&K VAT Act, the defaulting dealer is liable to pay security and penalty 'at the rate of twice the

amount of VAT payable or 25 per cent of the value of goods, whichever is higher'. As this provision operates harshly, I propose to remove the second part of the provision reading 'or 25% of the value of goods, whichever is higher'.

- b. The eligibility of a registered industrial unit to remission of VAT is lost for a whole year if such unit commits an offence prescribed under the VAT Act, or defaults in filing any one quarterly return during the course of the year. I propose that for future, such penal action shall be limited to only that quarter in which such offence or default takes place, provided that such default or offence is not repeated during the year.
- c. In case of death of a registered dealer, his legal heir has to apply for fresh registration. This appears to be unnecessary. I propose to amend this provision so that the legal heir automatically steps into the shoes of the

deceased registered dealer, if he is otherwise eligible, upon establishing his credentials.

- d. Security equivalent to 2% of the estimated annual turnover is required to be obtained from a new dealer at the time of his registration. The mode of security can be decided by the registering authority. The amount of security can be huge in some cases and results in blockage of working capital of the dealer, if taken in the shape of FDR. I propose to make comprehensive provisions to restrict and regulate the security amount in a transparent and graded manner. Ordinarily, the amount of security shall not exceed ₹ 30,000.
- e. For any new registration, the Department seeks a reference from an existing registered dealer having annual turnover of more than over rupees twenty lakh. I propose to replace it by a reference from **any** dealer, regardless of his turnover, provided that he has been

regular in clearing his VAT liabilities and also in filing of his VAT returns in the previous three years.

119. Through the measures announced by me, I have made very sincere efforts in further rationalizing the VAT system. I am sure that all these fresh initiatives shall be to the mutual benefits of the Commercial Taxes Department and the dealers, and will result into even a more fruitful compliance of the VAT system.

Anti- tobacco measures:

120. With a view to discourage the hazardous habit of smoking, I have tried to use taxation as a tool and announced from time to time, increase in the rates of Toll on raw tobacco and in the rates of VAT on cigarettes and other related products. I want to carry my commitment further and propose to increase the existing rate of VAT from 30% to **40%**.

121. The use of products containing chewable tobacco is much more dangerous. Many deaths in very miserable circumstances are caused every year due to consumption of these products. As such, to save the society from the dangerous consequences of use of chewable tobacco, I propose to impose a total ban on **import, manufacturing, transportation, stocking and sale** of chewable tobacco and products like *pan masala, gutka, khaini* and other similar products which contain chewable tobacco as one of its ingredients.

122. I personally believe that spreading of information about the ill effects of smoking and chewing tobacco is also very necessary to fight these hazardous habits. The orientation of minds against them should begin from the schools and carried to the housewives who can play an important role in reforming the addicts in their homes. I propose to keep a provision of rupees one

crore in the next year's budget for giving start to a well designed and effective educational and information campaign against the habits of smoking and chewing tobacco.

Adjustment of Toll Rate:

123. I have been adjusting the Toll rate periodically for the increase in prices of commodities as also the increasing cost of collection. As such, I propose an increase of 5 paise per kilogram in the existing rate of Additional Toll to be effective from the next fiscal.

124. The existing rate of Toll on import of table birds was fixed by me in the year 2011-12. As per the cost parameters, an increase in this rate is due. Hence, I propose to increase Toll rate on import of table birds from ₹ 6 per kg to ₹ 8 per kg with effect from 1st April 2013.

125. It may be of interest to the Hon'ble Members of this August House to know that

because of Toll exemption given by me to the day old chicks and enhancement of Toll on poultry birds, the import of day old chicks is likely to reach 5 crore during the current financial year. Import of day old chicks at this level means that about ₹ **500 crore** are **annually added** to our economy and employment of about **10,000** persons is sustained through the broiler units.

Service tax:

126. In my continued endeavor to widen the Service Tax base, I propose to bring the following services under the tax net from the next fiscal:-

- a. Services provided by Authorized Automobile Service Stations,
- b. Services provided by the Property Dealers/ Real Estates Agents,
- c. Services provided by the Consultants, other than those already included in a Service covered by the J&K GST Act.

127. Sir, before concluding my speech, I seek your permission to touch just a few more issues.

The Fourth State:

128. It has been the policy of Janab Omar Abdullah Saheb's Government to encourage and promote healthy journalism in the State. One way of doing so is to support the print media through issue of government advertisements.

129. The rates for government advertisements were last revised in the year 2010. In view of the increase in the cost of printing and publishing of the newspapers, I propose an increase of **50%** in the existing rates effective from the next financial year.

130. As a consequence, I also propose to enhance the next year's non plan budgetary allocation under the relevant account head from ₹ 8 crore to ₹ **12** crore. Besides this, I propose an

additional allocation of ₹ 2 crore this year, to clear off the pending bills.

131. I am very conscious of the fact that to work as a journalist in our State is far more challenging than many other places of the Country. The Government is keen to explore and actively participate in a sound institutional mechanism of providing an appropriate security cover for them. An insurance cover can be a possible answer. I extend my offer to the 'journalists' fraternity to work out a mutually acceptable participative scheme which I promise to consider with an open mind.

Wages of the Daily Rated Workers:

132. I have revised the wage rates of daily rated workers engaged by the government departments twice earlier. In order to mitigate the burden of higher cost of living on them, I propose upward revision of their wages from the existing rate of ₹ 125 per day to ₹ **150 per day**.

133. As far as the pay and allowances of the government employees are concerned, all their demands have been already accommodated by the Government, including parity with the Central pay bands, grade pay, rates of DA and House Rent Allowance. Apart from the provision of ₹ 700 crore in the next year's Budget Estimates to take care of the anticipated two DA installments, I have also kept a provision of ₹ 842 crore to meet the cost of next installment of pay and pension revision arrears. I hope that all our government employees shall appreciate that the Government has been very sympathetic to their welfare, despite the budgetary constraints.

Important role of *Panchayati Raj Institutions*:

134. Amongst the several landmark achievements of the present Government is the conclusion of very successful and highly participative elections to the *panchayats* in the

State. The Government is fully conscious of the fact that the elected representatives of the people at the grass roots level, namely the *sarpanchs* and the *panchs* have to perform their roles under very challenging circumstances.

135. The question of providing appropriate remuneration to the *sarpanchs* and the *panchs* has been engaging the attention of the Government. We have collected the relevant information in this behalf from some other states in the Country, where the Panchayati Raj system has been in practice for many years. The Government has decided to adopt the highest levels of remuneration and sitting fee for our *sarpanchs* and *panchs* respectively, as is applicable in one of our neighboring states. I accordingly propose to pay remuneration of ₹ 2000 per month to all *sarpanchs* and a fee of ₹ 300 per sitting subject to a monthly ceiling of ₹ 600 per month to all *panchs*.

136. The Government is taking the security of the elected panchayats representatives as a serious challenge. Apart from meeting their physical security needs in a feasible manner, I am willing to consider an appropriate insurance cover for them as well. I have a strong hope that a workable solution shall emerge very soon.

Conclusion:

137. Budget proposals are presented in this August House on annual basis. The financial and physical goals are selected keeping in view one year time frame. However, for me it has been an exercise in continuity, in accordance with the direction for progress which has been pre-identified. I am sanguine that my current proposals will be viewed by the Hon'ble Members of this August House as a link in the same action plan which aims at ushering in a new era of peace and prosperity for

our people, free of wants, free of fear, free of prejudices and free of exploitation.

سے راہ کی دشواریوں میں کام آئے دو رفیق
اک مراجوش جنوں، اور اک مراثوق سفر

138. With these submissions, I commend the Annual Financial Statement 2013-14, for consideration of this August House.