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Fourteenth Kerala Legislative Assembly

Bill No. 130

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**THE KERALA FISCAL RESPONSIBILITY  
(AMENDMENT) BILL, 2018**

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**Fourteenth Kerala Legislative Assembly**

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(AMENDMENT) BILL, 2018**

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[Translation in English of the “2018-ലെ കേരള ധനസംബന്ധമായ ഉത്തരവാദിത്ത (ഭേദഗതി) ബിൽ” published under the authority of the Governor.]

**THE KERALA FISCAL RESPONSIBILITY (AMENDMENT)**  
**BILL, 2018**

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*BILL*

*further to amend the Kerala Fiscal Responsibility Act, 2003.*

*Preamble.*—WHEREAS, it is expedient further to amend the Kerala Fiscal Responsibility Act, 2003 for the purposes hereinafter appearing;

BE, it enacted in the Sixty-ninth Year of the Republic of India as follows:—

1. *Short title and commencement.*—(1) This Act may be called the Kerala Fiscal Responsibility (Amendment) Act, 2018.

(2) It shall be deemed to have come into force on the 1st day of April, 2017.

2. *Amendment of Section 4.*—In section 4 of the Kerala Fiscal Responsibility Act, 2003 (29 of 2003) (hereinafter referred to as the principal Act), for sub-section (2), the following sub-section shall be substituted, namely:—

“(2) In particular and without prejudice to the generality of the foregoing provision, the Government shall eliminate the revenue deficit completely and maintain the revenue deficit to zero during the period from 2017-2018 to 2019-2020 and shall,—

(a) build up surplus amount of revenue and utilise such amount for discharging liabilities in excess of assets;

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(b) maintain the fiscal deficit to 3 per cent of the Gross State Domestic Product during the period from 2017-2018 to 2019-2020;

Note:—(i) State shall be eligible for additional reduction of 0.25 per cent over and above this, for any given year for which the borrowing limits are to be fixed if the ratio between the Gross State Domestic Product and debt is less than or equal to 25 per cent in the preceding year;

(ii) State may further be eligible for additional borrowing limit of 0.25 per cent of Gross State Domestic Product in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 per cent of the revenue receipts in the preceding year;

(iii) If anyone of the above said criteria is fulfilled, the State may utilise the said concessions either separately or if both are fulfilled the said concessions together may be utilized by the State. The maximum ratio between the fiscal deficit and Gross State Domestic Product in a prescribed year may be up to 3.5 per cent to the State accordingly;

(iv) The reductions in availing the additional limit under either of the two options or both will be available to the State only if there is no revenue deficit in the year in which borrowing limits are to be fixed and in the immediately preceding year.

The 'additional fiscal space' availing in such manner shall be utilised for the State share of the Centrally Sponsored Schemes.

(c) reduce the total debt liabilities of the State in the years of 2017-2018, 2018-2019 and 2019-2020 in the order of 30.40 per cent, 30.01 per cent and 29.67 per cent respectively of the Gross State Domestic Product.”.

**STATEMENT OF OBJECTS AND REASONS**

The Government have decided to amend the Kerala Fiscal Responsibility Act, 2003 providing for the responsibility of the Government to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit and sustainable debt management, in accordance with the revised road map of the Fourteenth Finance Commission.

The Bill seeks to achieve the above object.

**FINANCIAL MEMORANDUM**

The Bill, if enacted and brought into operation, would not involve any additional expenditure from the Consolidated Fund of the State.

**DR. T. M. THOMAS ISAAC.**

EXTRACT FROM THE RELEVANT PORTIONS OF THE KERALA FISCAL  
RESPONSIBILITY ACT, 2003

(29 of 2003)

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4. *Fiscal Management Principles.*—(1) The Government shall take appropriate measures to reduce the revenue deficit and build up an adequate revenue surplus by following such principles as may be prescribed.

(2) In particular and Without prejudice to the generality of the foregoing provision, the Government shall, by reducing the revenue deficit in the years 2011-12, 2012-13, 2013-14 and 2014-15 in the order of 1.4 per cent, 0.9 per cent, 0.5 per cent and zero per cent, respectively, of the gross state domestic product, reduce the revenue deficit to 'nil' within a period of four years commencing on the 1st April, 2011 and ending with the 31st March, 2015 and shall,—

(a) build up surplus amount of revenue and utilise such amount for discharging liabilities in excess of assets;

(b) reduce the fiscal deficit to 3 per cent of the estimated gross state domestic product within a period of three years commencing on the 1st April, 2011 and ending with the 31st March, 2014 by maintaining the fiscal deficit at a level not exceeding 3.5 per cent of the gross state domestic product in the years 2011-12 and 2012-13 and reducing it to 3 per cent in 2013-14;

(c) reduce the State's total debt liabilities to 29.8 per cent of the estimated gross domestic product within a period of four years commencing on the 1st April, 2011 and ending with the 31st March, 2015 by reducing the total debt liability in the years of 2011-12, 2012-13, 2013-14 and 2014-15 to the order of 32.3 per cent, 31.7 per cent, 30.7 per cent and 29.8 per cent respectively of the gross state domestic product.

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