THE UTTARAKHAND FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT, 2005

[Uttarakhand Act No. 22 of 2005] (as amended by Amendment Act No. 07 of 2011, 40 of 2016, 24 of 2020 and 09 of 2023)

to provide for the responsibility of the State Government to ensure fiscal stability and sustainability, and enhance the scope for improving social and physical infrastructure and human development by achieving sufficient revenue surplus, reducing fiscal deficit and removing impediments to the effective conduct of fiscal policy and prudent debt management through limits on State Government borrowings, Government guarantees, debt and deficits, greater transparency in fiscal operations of the State Government and use of a medium term fiscal framework and for matters connected therewith or incidental thereto.

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ACT

Be it enacted in the Fifty-sixth year of the Republic of India as follow-

Short title and commencement	1.	(1) This Act may be called the Uttarakhand Fiscal Responsibility and Budget Management Act, 2005. (2) It shall come into force on such [1][**DATE**] as the State Government may, by notification in this behalf, appoint.
Definitions	2.	In this Act, unless the context otherwise requires---- (a) "annual budget" means the annual financial statement laid before the house of State Assembly under Article 202 of the constitution; (b) "current year" means the year preceding the year for which budget is being presented; (c) "fiscal deficit' means the excess of--- (i) total disbursements from the consolidated Fund of the State (excluding repayment of debt) over total receipts into the Fund (excluding the debt receipts) during a financial year, or (ii) total expenditure from the consolidated Fund of the State (including loans but excluding repayment of debt) over own tax and non-tax revenue receipts, devolution and other grants from Government of India to the State, and non-debt capital receipts during a financial year which represents the borrowing requirements, net of repayment of debt, of to State Government during the financial year; (d) "Fiscal Indicators" means the measures such as numerical ceilings and proportions to gross State domestic product or any other ratios, as may be prescribed, for evaluation of the fiscal position of the State Government; (e) "previous year" means the year preceding the current year; (f) "revenue deficit" means the difference between revenue expenditure and revenue receipts; (g) "total liabilities" means the liabilities under the consolidated Fund of the State and the public account of the State. (h) { "Interest Payment' means the amount payable other than refund of principal amount on the internal debt of the State Government from the Central Government and on State provident funds and other liabilities in the public account.}[2]

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1. w.e.f. 08th April, 2011 vide Not. No. 697/XXXVII(1)/2011 by Vitta Anubhag-1

2- Add. by section 2 of UK Act no 40 of 2016.

Medium Term Fiscal policy to be laid before the State Assembly	**3.**	(1) The State Government shall in each financial year lay before the State Assembly a Medium Term Fiscal policy along with the annual budget. (2) The Medium Term Fiscal Policy shall set forth a three year rolling targets for the prescribed fiscal indicators with specification of under lying assumptions. (3) In particular and without prejudice to the provisions contained in sub-section (2), the Medium Term Fiscal Policy shall include an assessment of sustainability relating to— (i) the balance between revenue receipts and revenue expenditure; (ii) the use of capital receipts including borrowings for generating productive assets. (4) The Medium Term Fiscal Policy shall, inter-alia contain— (a) the medium term fiscal objectives of the State Government; (b) an evaluation of performance on the basis of the prescribed fiscal indicators vis-a-vis the targets set out in the budget and the likely performance in the current year as per revised estimates; (c) a statement on recent economic trends and future prospects for growth and development affecting fiscal position of the State Government; (d) the strategic priorities of the State Government in the fiscal areas for the ensuing financial year; (e) the policies of the State Government for the ensuing financial year relating to taxation, expenditure, borrowings and other liabilities, lending and investments, pricing of administered goods and services, guarantees and activities of Public Sector Undertakings which have potential budgetary implications; and the key fiscal measures and targets pertaining to each of these; (f) an evaluation as to how current policies of the State Government are in conformity with the fiscal management principles set out in section 4 and the fiscal objectives set out in the Medium Term Fiscal Policy. (5) The Medium Term Fiscal Policy shall be in such form as may be prescribed.
Fiscal Management Principles	**4.**	(1) The State Government shall be guided by the following fiscal management principles:- (a) To maintain Government debt at prudent levels; (b) To manage guarantees and other contingent liabilities prudently, with particular reference to the quality and level of such liabilities; (c) To ensure that policy decisions of the Government have due regard to their financial implication on future generation; (d) To ensure that borrowings are used on development activities, which are evaluated to become self-sustained, and creation or

		augmentation of capital assets, and are not applied to finance current expenditure. (e) To ensure a reasonable degree of stability and predictability in the level of tax burden; (f) To maintain the integrity of the tax system by minimising special incentives, concessions and exemptions;
		(g) To pursue tax polices with due regard to economic efficiency and compliance costs; (h) To pursue non-tax revenue policies with due regard to cost recovery and equity; (i) To pursue expenditure policies that would provide impetus to economic growth, poverty reduction and improvement in human welfare; (j) To build up a revenue surplus for use in capital formation and productive expenditure; (k) To ensure that physical assets of the Government are property maintained; (l) To disclose sufficient information to allow the public to scrutinize the conduct of fiscal policy and the state of public finance; (m) To ensure that Government uses resources in ways that give best value for money and also ensure that public assets are put to best possible use; (n) To minimize fiscal risks associated with running of public sector undertakings and utilities providing public goods and services; (o) To manage expenditure consistent with the level of revenue generated; (p) To formulate budget in realistic and objective manner with due regard to the general economic outlook and revenue prospects and minimize deviations during the course of the year; (q) To ensure discharge of current liabilities in a timely manner. (2) The State Government shall take appropriate measures to eliminate the revenue deficit and control the fiscal deficit at sustainable level and built up adequate revenue surplus. (3) In particular, and without prejudice to the generality of the foregoing provisions, the State Government shall— [(a) reduce the revenue deficit to nil in the four years starting from 01st April, 2011 and ending on 31st March, 2015;][1]

1-Substituted by section 2 (i) of Uttarakhand Act No. 07 of 2011.

		(b) reduce revenue deficit as percentage of Gross State Domestic product in each of the financial years referred to a clause (a) in a manner consistent with the goal set out in clause (a); [1][(c) The fiscal deficit as a percent GSDP (Gross State Domestic Product) for the financial year 2021-22, 2022-23, 2023-24, 2024-25 and 2025-26 shall not exceed 4.0, 3.5, 3.0, 3., 3.0 and 3.0 respectively. (d) The consistent compliance with the goal setup in clause (c) shall reduce fiscal deficit as percentage of Gross State Domestic Product;] (e) not to give guarantee for any amount exceeding the limit stipulated under any rule or law of the State Government existing at the time of the coming into force of this Act or any rule or law to be made by the State Government subsequent to coming into force of this Act;
		[2][(f) (i) Total liabilities as a percent of Gross State Domestic Product (GSDP) for the financial Year 2021-22, 2022-23, 2023-24, 2024-25 and 2025-26 shall not exceed 32.6, 33.3, 33.1, 32.8 and 32.5 respectively. (ii) If State is not able to fully utilize its sanctioned borrowing limit, in any particular year during the first four years of 15th Finance Commission (2021-22 to 2024-25), the State may utilize this unutilized amount in any of the subsequent years within the stipulated time period of the 15th Finance Commission: Provided that revenue deficit and fiscal deficit may exceed the limit specified under this sub-section due to ground or grounds of unforeseen demands on the finance of the State Government due to internal security or natural calamity, subject to the condition that the excess beyond limits arising due to natural calamities shall not exceed the actual fiscal cost that may be attributed to the calamities: Provided further that the ground or grounds specified in the first provisio shall be placed before the State Legislature, as soon as possible, after it becomes likely that deficit amount may exceed the aforesaid limits, with accompanying report stating the likely extend excess, and reasons thereof.]

[1] As substituted by Uk. Act No. 09 of 2023, Not. No. 154/XXXVI(3)/2023/07(1)/2023, dated April 25, 2023

[2] As substituted by Uk. Act No. 09 of 2023, Not. No. 154/XXXVI(3)/2023/07(1)/2023, dated April 25, 2023

		[3][(g) The State Government shall constitute a committee under the chairmanship of the Chief Secretary, to review the progress against above targets at least once every six months.]
Measures for Fiscal Transparency	5.	(1) The State Government shall take suitable measures to ensure greater transparency in its fiscal operation in public interest and minimize as far as practicable in public interest, secrecy in the preparation of the annual budget. (2) In particular and without prejudice to the generality of the foregoing provisions, the State Government shall, at the time of presentation of the annual budge, disclose in a statement in the form as may be prescribe:- (a) the significant changes in the accounting standards, policies and practices affection or likely to effect the computation of prescribed fiscal indicators; (b) as far as practicable, and consistent with protection of public interest, the contingent liabilities created by way of guarantees, the actual liabilities arising out of borrowing by Public Sector Undertaking and Special Purpose Vehicles and other equivalent instrument where liability for repayment is on the State Government, allocation and commitments made by the State Government having potential budgetary, implication including revenue demand raised but not realized, tax expenditure; losses incurred in providing public goods, and services through public utilities and undertaking, liability in respect of major works and contracts, and subsidy payments and impact of the same on the fiscal position of the State including in relation to the targets referred to in sub-section (3) of section 4.

Measured to enforce compliance	6.	(1) The Annual Budget and policies announced at the time of the budget, shall be consistent with the objectives and targets specified in the Medium Term Fiscal Policy for the coming and future years. (2) The Minister In-charge of the Department of Finance, shall review, every half yearly, the trend in receipts and expenditure in relation to the budget, remedial measured to be taken to achieve the budget targets, and place before the State Legislature the outcome of such reviews. The review report shall be in such form as may be prescribed.
		(3) The review shall explain--- (a) any deviation or likely deviation in meeting the obligations cast on the State Government under this Act; (a) whether such deviation is substantial and relates to the actual or the potential budgetary outcomes, and how much of the deviation can be attributed to general economic environment and to policy changes by the State Government; and (b) the remedial measures the State Government proposes to take.

[3] Substituted by section 2 (iii) of Uttarakhand Act No. 07 of 2011

		(4) Wherever there is a prospect of either shortfall in revenue or excess of expenditure over pre-specified levels for a given year on account of any new policy decision of the State Government that affects either the State Government or its public sector undertakings, State Government, prior to taking such policy decision, shall take measures to fully offset the fiscal impact for the current and future years by curtailing the sums authorized to be paid and applied from and out of the consolidated Fund of the State under any Act to provide for the appropriation of such sums, or by taking interim measures for revenue augmentation, or by taking up a combination of both: Provided that nothing in this sub-section shall apply to the expenditure charged on the consolidated fund of the State under clause (3) of Article 202 of the constitution: Provided further that, while adhering to the fiscal years, the State Government will give priority to protect certain expenditure defined in the Medium Term Fiscal Restructuring Policy as “High Priority Development Expenditure” (including, inter alia) from curtailment or may impose a recede or partial curtailment. (5) Whenever one or more supplementary estimates are presented to the State Assembly, the State Government shall also present an accompanying statement indicating the corresponding curtailment of expenditure and/ or augmentation of revenue to fully offset the fiscal impact to the supplementary estimates in relation to the budget targets of the current year and the Medium Term Fiscal Policy objectives and targets for the future year.
Power to make rules	7.	(1) The State Government may, by notification, make rules for carrying out the provisions of this Act. (2) In particular, and without prejudice to the generality of the foregoing powers such rules may provide for all or any of the following matters, namely:- (a) The fiscal indicator to be prescribed for the purpose of sub-section (2) of section 3 and clause (a) of sub-section(2) of section 5; (b) The term of the Medium Term Fiscal Policy referred to in section 3; (c) Any other matter which is required to be, or may be prescribed.
Protection of action taken in good faith	8.	No suit or prosecution or other legal proceeding shall be against the State Government or any officer of the State Government for anything which is in good faith done or intended to be done under this Act or the rules made thereunder.
Application of other laws not barred	9.	The provisions of this Act shall be in addition to, and not in derogation of the provision of any other law for the time being in force.
Power to remove	10.	(1) If any difficulty arises in giving effect to the provisions of this act,

difficulties		the State Government may, be order published in the Gazette make such provisions not inconsistent with the provisions of this Act as it may deem necessary for removing the difficulty: Provided that no order shall be made under this section after the expiry of two years from the commencement of this Act. (2) Every order made under this section shall be laid as soon as may be after it is made, before the State Assembly.

[4][Annexure-'1']

1. **Implementation of One Nation One Ration Card System:** This system will ensure availability of ration to beneficiaries under National Food Safety Act (NFSA) and other welfare schemes, especially the migrant workers and their families, at any Fair Price Shop (FPS) across the country, and enable better targeting of beneficiaries, elimination of bogus/duplicate/ineligible card holders. Thus it will enhance welfare and reduce leakage. To ensure seamless inter-state portability of a ration card, Aadhar seeding of all ration cards as well as biometric authentication of beneficiaries through automation of all Fair prices shops (FPSs) with installation of electronic point of sale (e-poS) devices are essential. Therefore, it has been decided to allow additional borrowing limit of 0.25 percent of GSDP on completion of both of the following actions:

(i) Aadhar Seeding of all the ration cards and beneficiaries in the state.

(ii) Automation of all the FPSs in the State.

The State Should complete the above mentioned actions by 31st December, 2020. The States which complete them earlier, or have already completed them, can seek additional borrowing limit immediately, Department of Food and public Distribution will be the nodal Ministry to assess the progress of the State and recommend release of additional borrowing limit. The last date for recommendation to reach Department of expenditure (DoE) is 15th January, 2021.

2. **Implementation of District Level and Licensing Reforms for Ease of Doing Business:** Ease of Doing Business is an important indicator of investment friendly business climate in the country and improvements in ease of doing business will enable faster future growth of the state economy. Therefore, in order to incentivize implementation of district level and licensing reforms for ease of doing business it has been decided to allow additional borrowing limit of 0.25 percent of GSDP for the year 2020-21 on undertaking all the following actions by the State Government:

i. The State will complete the first assessment of 'District Level Business Reform Action Plan' as intimated by Department for Promotion of Industry and Internal Trade (DPIIT).

ii. The State will eliminate the requirements of renewal of certificates/approvals/Licenses obtained by businesses for various activities from the authorities at the State level as per list circulated by DPIIT. (However, mere collection of reasonable fees

[4] Inserted by Uttarakhand Act No. 24 of 2020, vide Not. No. 380/XXXVI(3)/2020/54(1)/2020, dated October 21, 2020

with automatic non-discretionary deemed renewal will be permissible if done in a transparent online, non-discretionary & automatic manner.) To become eligible, elimination of renewal at least of the specific items mentioned in the Annexure-2 should be completed by 31st January, 2021.

iii. The State will implement computerized central random inspection system under the Acts as per list circulated by DPIIT wherein allocation of inspections inspectors is done centrally, the same inspector is not assigned to the same unit in subsequent years, prior inspection notice is provided to business owner, and inspection report is uploaded within 48 hours of inspection. To become eligible, implementation of computerized central random inspection system at least under the Acts mentioned in the Annexure-2 should be completed by 31st January, 2021.

DPIIT will be the nodal ministry to assess the progress and recommend the release of additional borrowing. The cut-off date for this will be 15th February, 2021.

3. **Reforms for Strengthening local Bodies:** To enable better public health and sanitation as well as provision of good civic infrastructure, which in turn promote economic growth and well-being, there is a pressing need to augment resources of urban local bodies (ULBs) and urban utilities, it has been decided to allow additional borrowing limit of 0.25 per cent of GSDP for the year 2020-21 on undertaking the following reforms by the State Government:

(i) The State Government will notify (a) floor rates of property tax in ULBs which are in consonance with the prevailing circle rates (i.e. guideline rate for property Transactions) and (b) floor rates of user charges in respect of the provision of water-supply, drainage and sewerage which reflect current costs/past inflation.

(ii) The State will put in place a system of periodic increase in floor rates the property tax/user charges in line with prices increases.

Ministry of Housing and Urban Affairs will be the nodal ministry to assess the progress and recommend the release of additional borrowing limit. The cut-off date for this will be 15th January, 2021

4. **Power Sector Reforms:** Robust Systemic reforms are required to be undertaken by the State governments to ensure that the subsidies reach farmers/ intended beneficiaries without leakage and to improve the health of the power sector, in addition to alleviating the liquidity stress of the DISCOMS. It has been decided to allow additional borrowing limit for the following actions in the manner given below:

(i) For reduction in Aggregate Technical & Commercial losses in a State as per targets, an additional borrowing limit of 0.05 percent of its GSDP shall be allowed.

(ii) For reduction in the gap between Average cost of supply and Average Revenue Realization (ACS-ARR gap) in a State as per targets, an additional borrowing limit of 0.05 percent of its GSDP shall be allowed. [Note: In calculating the ACS-ARR gap, amounts remaining unpaid by state Government/local bodies shall be deducted from the revenues.]

(iii) For introduction of direct Benefit Transfer to all farmers in a states in lieu of free electricity given to them, additional borrowing limit of 0.15 percent of its GSDP shall be allowed. The State Government should put in place a scheme whereby from the next financial year (2021-22), cash is transferred to the farmers through DBT instead of free electricity being provided to them, where as charges of the electricity are paid to the DISCOMs by farmers directly from the amounts given to them. To become eligible, the state should (a) formulate the DBT schemes and (b) implement this scheme at least in one district by 31st December, 2020.

The assessment of reduction in AT&C losses and in the ACS-ARR gap will be based on self declaration by the state Government in January, 2021. However, any major variation between this self declared figure and actual realization assessed later on, may affect the borrowing entitlement adversely in the subsequent financial year (s). Ministry of power would be the nodal ministry to assess the progress and recommend the release of additional borrowing to DoE. The last date for recommendation to reach DoE is 31st January, 2021.

5. The state shall exhaust the aforesaid additional borrowing of 2 percent during the year 2020-21 (to the extent eligible) and it will not be allowed to carry forward to the subsequent years.

[5][Annexure-'2']

Implementation of removal of renewals and central Inspection System

Renewals of :

1. Registration under shops & Establishment Act
2. License for contractors under provision of the Contracts Labour (Regulation and Abolition) Act, 1970
3. License under The Factories Act, 1948
4. Registration Under Legal Metrology Act
5. Registration of establishment under the Inter State Migrant workmen (Regulation of Employment and Conditions of Service) Act, 1979
6. Drug Manufacturing/Selling/Storage License
7. Trade License issued by Municipal Corporations.

Inspections under:

1. The Equal Remuneration Act, 1976
2. The Minimum wages Act, 1948
3. The Shops and Establishments Act
4. The Payment of Bonus Act, 1965
5. The Payment of Wages Act, 1936
6. The Payment of Gratuity Act, 1972
7. The Contract Labours (Regulation and Abolition) Act, 1970
8. The Factories Act, 1948
9. The Indian-Boilers Act, 1923
10. The Water (Prevention and Control of Pollution) Act, 1974
11. The Air (Prevention and Control of Pollution) Act, 1981
12. Inspection under Legal Metrology Act, 2009 and Rules.

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[5] Inserted by Uttarakhand Act No. 24 of 2020, vide Not. No. 380/XXXVI(3)/2020/54(1)/2020, dated October 21, 2020