SIKKIM FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT,2010

SIKKIM GOVERNMENT GAZETTE Gangtok No. 15/LD/P/2010 EXTRAORDINARY PUBLISHED BY AUTHORITY Wednesday 29th September, 2010 LAW DEPARTMENT GOVERNMENT OF SIKKIM, GANGTOK. NOTIFICATION No. 537 27th September, 2010 The following Act passed by the Sikkim Legislative Assembly and having received the assent of the Governor on 16th day of September, 2010 is hereby published for general information:- THE SIKKIM FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT, 2010 (ACT No. 15 of 2010) ACT to provide for the responsibility of the State Government to ensure fiscal stabAi0/ and sustainability through maintaining balance in revenue account and planned reduction of fiscafdeficit and prudent and sustainable debt management consistent with fiscal stability through limits on State Government's borrowings, including off-budget borrowing and achieving greater transparency in fiscal operation of the Government and conduct of fiscal policy in a medium term fiscal framework and for matters connected therewith or incidental thereto. Be it enacted by the Legislature of the State of Sikkim in the Sixty-first Year of the Republic of India as follows: - Short title and Commencement Definitions 2. (1) This Act may be called the Sikkim Fiscal Responsibility and Budget Management Act, 2010. (2) It extends to the whole of Sikkim. (3) It shall come into force on such date as the Government may, by notification in the Official Gazette, appoint. In this Act, unless the context otherwise requires, - (a) "budget" means the annual financial statement laid before the Legislative Assembly under article 202 of the Constitution of India; (b) "current year" means the financial year preceding the ensuing year; (c) "ensuing year" means the financial year for which the budget is being presented; Medium Term Fiscal Plan to be laid before the Legislative Assembly (d) "financial year" means the year beginning on the ISI day of April and ending on 31 st day of March next following; "fiscal deficit" means the excess of, — total disbursements from the Consolidated Fund of the State (excluding repayment of debt) over total receipts into the Consolldated Fund excluding the debt receipts during a financial year; or total expenditure from the Consolidated Fund of the State (including loans and advances but excluding debt repayment) over own tax and non-tax revenue receipts, devolution and other grants from the 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 the State Government during the financial year; "fiscal indicator" means the measures such as numerical ceilings and proportions to gross State domestic product, as may be prescribed, for evaluation of the fiscal position of the State Government ; (g) " Government" means the State Government of Sikkim (h) 'i Legislative Assembly" means the Legislative Assembly of the State of Sikkim (i) " prescribed" means prescribed by rules made under this Act ; (j) previous year" means the year preceding the current year. (k) "revenue deficit" means the difference between revenue expenditure and revenue receipts , (I) "State" means the State of Sikkim (m) "total liabilities" means the liabilities underthe Consolidated Fund of the State and the Public Account of the State. 3. (1) The Government shall, in each financial year, lay before the Legislative Assembly a Medium Term Fiscal Plan along with the Budget. (2) The Medium Term Fiscal Plan shall set forth a three-year rolling target for the prescribed fiscal indicators with specification of underlying assumptions relating to parameters underlying projections for receipts and expenditure and the band within which they can vary while remaining consistent with targets. (3) In particular and without prejudice to the provisions contained in sub- section (2), the Medium Term Fiscal Plan shall include an assessment of sustainabiiity 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 Plan shall, inter-alia, contain (i) the medium term fiscal objectives of the Government , 2 Fiscal Management Principles (ii) an evaluation of the peflormance of the prescribed fiscal indicators in the previous year vis-ä-vis the targets set out earlier, and the likely performance in the current year as per revised estimates (iii) a Statement on recent economic trends and future prospects for groiffh and development affecting fiscal position of the Government ; (iv) the strategic priorities of the Government in the fiscal matters for the ensuing financial year , (v) the policies of the Government for the ensuing financial year relating to taxation, expenditure, borrowings and other liabilities, subSidies, lending and investments, guarantees and activities of Public Sector Undertakings which have potential budgetary implications and the key fiscal measures and targets pertaining to each of these (vi) an evaluation as to how the current policies of the 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 Plan , (5) The Medium Term Fisca; Plan shall be in such form as may be prescribed. 4. (i) The Government shall take appropriate measures to eliminate lhe revenue deficit and contain fiscal deficit and outstanding debt tc sustainable levels. (2) The Government shall be guided by the following fiscal management principles, namely . (a) to maintain State Government debt at prudent and sustainable level ; (b) to manage guarantees and other contingent liabilities prudently, with particular reference to quality and level of such liabilities; (c) to ensure that borrowings are used for productive purposes and accumulation of capital assets, and are not applied to finance current expenditure; (d) to ensure that the policy decisions of the Government have due' regard to the financial implications on the future generations; (e) to maintain the integrity of the tax system by minimizing special incentives, concessions and exemptions; (f) to pursue tax policies With due regard to economic efficiency and compliance costs; (g) to pursue non-tax policies with due regard to cost recovery and equity; (h) to pursue expenditure poticies that would provide impetus to economic grovvft, poveO, reduction and improvement in human (i) to bui d up a revenue surplus for use in capital formation and productive expenditure, (j) to ensure maintenance of the physical assets of the Government; 3 Fiscal Management Targets Measures for Fiscal Transparency (k) to maintain transparency by disclosing sufficient information to allow public to scrutinize the state of the public finances; (I) -to minimize the fiscal risk associated with management of public sector undenakings and the utilities providing public goods and services: (m) to ensure discharge of current liabilities in a timely manner; (n) to formulate a realistic budget with due regard to the general economic outlook and revenue prospects and minimize deviations during the course of the year. In particular, and without prejudice to the generality of the foregoing provisions, the Government shall, - (a) maintain revenue account balance beginning from the year (b) reduce the fiscal deficit to 3.5 percent of the estimated Gross State Domestic Product in each of the financial year starting from 2011-12 and reduce the fiscal deficit to not more than three percent of the estimated Gross State Domestic Product at the end of 31st March 2014 and adhere to it thereafter ; (c) cap the total outstanding guarantees within the specified limit under the Sikkim Ceiling on Government Guarantees Act, 2000 (21 of 2000) ; (d) ensure that the outstanding debt-GSDP ratio follows a sustainable path emanating from the above targets of the deficit as specified by the Government beginning from the fiscal year 2011-12' Provided that revenue deficit and fiscal deficit may exceed the limits specified under this section due to ground or grounds of unforeseen demands on the finances of the Government due to national security or natural calamity subject to the condition that the excess beyond limits arising due to natural' calamities does not exceed the actual fiscal cost that can be attributed to the calamities: Provided further that the ground or grounds specified in the above proviso shall be placed before the Legislative Assembly as soon as may be, after it becomes likely that such deficit amount may exceed the aforesaid limits, with an accompanying report stating the likely extent of excess, and reasons therefore. 6. (I) The Government shall take suitable measures to ensure greater transparency in its fiscal operations, in public interest, in the preparation of the Budget : Provided that the Government shall have the power to reserve any such information which would adversely affect the interest of the State Exchequer. (2) In particular, and without prejudice to the generality of the foregoing provision, the Government shall, at the time of presentation of the Budget, disclose in a statement in the form as may be prescribed - 4 Measures to enforce compliance 7. (a) the key fiscal indicators including those mentioned in section 5 , (b) the significant changes in the accounting standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators , (c) as far as practicable and consistent with protection ot public interest, the contingent liabilities created by way of guarantees. (I) The Budget and policies announced at the time of the budget, shall be consistent with objectives and targets specified in the Medium Term Fiscal Plan for the coming and future years. (2) The Minister-in-charge of the Department of Finance shall review every quarter, the trends in receipts and expenditure in relation to the budget, remedial measures to be taken to achieve the budget targets and every half year place before the Legislative Assembly the outcome of such reviews. The review report should be in such form as may be prescribed, (3) While placing before the Legislative Assembly the outcome of such review, the Minister-in-chargéOf the Department of Finance shall make a statement explaining,- (a) any deviation in meeting the obligations cast on the Government under this Act; (b) whether such deviation is substantial and relates to the actuat or the potential budgetary outcomes; and (c) the remedial measures the Government proposes to take. (4) Any measure proposed in the course of the

financial year, which may lead to an increase in revenue deficit, either through enhanced expenditure or loss of revenue, shall be accompanied by remedial measures, which will neutralize such increase or loss and such measures shall be clearly mentioned. (5) In case the revenue deficit and fiscal deficit exceed in the case of unforeseen demands on the finances of the Government, the Government shall identify the net fiscal cost arising due to natural calamity and such cost would provide ceiling for extent of non-compliance to the specified limits, (6) Whenever supplementary estimates are presented to the Legislative Assembly, the Government shall also present an accompany ingstatement indicating the corresponding curtail ment of expenditure and/or augmentation of revenue to offset the fiscal impact of the supplementary estimates. (7) The Government may assign to an independent external agency the task of carrying out the periodical review for the compliance of the provisions of this Act in the manner as may be prescribed. 5 power to make rules Rules to be laid before Legislative Assembly Protection of action taken in good faith Application of other laws not barred power to remove difficulties 8. 9. (I) The Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act. (2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:- (a) the measures for evaluation of fiscal indicators of the Government under clause (f) of section 2; (b) the form of Medium Term Fiscal Plan under sub-section (5) of section 3, (c) the form of statement for disclosure under sub-section (2) of section 6, (d) the form of review report under sub-section (2) of Section 7; (e) Any other matter which is required to be prescribed not inconsistent with the provisions of this Act. Every rule or order made under this Act shall, as soon as possible, after it is made, be.placed on the table of the Legislative Assembly and if, before the expiry of the session in which it is so placed or in the next session, the Legislative Assembly makes any modification in any such rule or order, or the Legislative Assembly decides that the rule or order should not be made, the rule or order shall thereafter have effect only in such modified form or be of no effect, as the case may be, so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or order

10. No suit, prosecution or other legal proceeding Shail lie against the Government or any officer of the Government for anything which is in good faith done or intended to be done under this Act or the rules made thereunder.11, 12. The provisions of this Act shall be in addition to, and not in derogation of, the provisions of any other law for the time being in force. (I) If any difficulty arises in giving effect to the provisions of this Act, the Government may, by order published in the Official Gazette make such provisions not inconsistent with the provisions of this Act as may appear to be necessary or expedient for removing the difficulty: (2) Every order made under this section shall be laid, as soon as may be after it is made, before Legislative Assembly. R. K. PURKAYASTHA (SSJS) L.R.-CUM-SECRETARY LAW DEPARTMENT FILE NO. S.G.P.G, - 537/ Gazette /100 Nos./Dt:- 29.09.2010. SIKKIM GOVERNMENT Gangtok No. 6/LD/P/11 EXTRAORDINARY PUBLISHED BY AUTHORITY Thursday 21 st April, 2011 LAW DEPARTMENT GOVERNMENT OF SIKKIM GANGTOK NOTIFICAT\ON GAZETTE No. 200 Dated: 21/04/2011 The following Act passed by the Sikkim Legislative Assembly and having received the assent of the Governor on 30th day of March, 2011 is hereby published for general information:- SIKKIM FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT (AMENDMENT) ACT, 2011 (ACT NO. 6 OF 2011) AN ACT to amend the Sikkim Fiscal Responsibility and Budget Management Act, 201 C. Be it enacted by the Legislature of Sikkim in the Sixty-second Year of the Republic of India as follows:- Short Title and Commencement (I) This Act may be called the Sikkim Fiscal Responsibility Budget Management (Amendment) Act, 2011. (2) It shall come into force at once. Amendment of Section 5 ear 2010-2011 2011-2012 2012-2013 2013-2014 2014-2015 Repeal and saving In the Sikkim Fiscal Responsibility and Budget Management 2. (Amendment) Act, 2010, for clause (d) of sub-section (1) of section 5, the following clause shall be substituted, namely :- (d) reduce debt stock to 55.9 % of the Gross State Domestic Product (GSDP) within a period of five years commencing from the year 2010-201 and ending on 2014-2015, in the manner as mentioned below - Maximum debt stock as per centum of Gross State Domestic Product (GSDP) 68.4 65.2 62.1 58.8 55.9 3. (1) The Sikkim Fiscal Responsibility Budget Management (Amendment) Ordinance, 2011 (Ordinance No. I of 2011) is hereby repeaied. (2) Notwithstanding such repeal, anything done or any action taken under the Ordinance so repealed shall be deemed to have been taken under the corresponding provisions of this Act. (R.K. Purkayastha) SSJS L.R —cum-Secretary, Law Department. File No. 16 (82)/LD/P/11 S.G.P.G.

-200/ Gazette/ 100 cps./21.04.2011 SIKKIM GOVERNMENT Gangtok No. 1/1-0/16 EXTRAORDINARY PUBLISHED BY AUTHORITY Monday 25th April, 2016 GOVERNMENT OF SIKKIM LAW DEPARTMENT GANGTOK NOTIFICATION GAZETTE No. 133 Dated: 23/04/2016 The following Act passed by the Sikkim Legislative Assembly and having received assent of the Governor on 29th day of March, 2016 is hereby published tor general information:- THE SIKKIM FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT (AMENDMENT) ACT, 2016 (ACT NO. 1 OF 2016) AN ACT to amend the Sikkim Fiscal Responsibility and Budget Management Act, 2010. Beit enacted by the Legislature of Sikkim in the Sixty-seventh Year of the Republic of India as follows:- Short title and commencement Amendment of section 5 2, (1) This Act may be called the Sikkim Fiscal Responsibility and Budget Management (Amendment) Act, 2016. (2) It shall come into force at once. In the Sikkim Fiscal Responsibility and Budget Management Act, 2010, in sub-section (I) of section 5, - (I) in clause (b) for the words "adhere to it thereafter ' , occurring at the end , the following words , figures and brackets shall be substituted, namely "fiscal deficit targets thereafter shall be as follows namely .- (i) Fiscal deficit be anchored to an annual limit of 3 percent of Gross State Domestic Product. The flexibility of 0.25 percent (iii) (iv) (v) over and above this for any given year is permissible if debt- Gross State Domestic Product ratio is less than or equal to 25 percent in the second preceding year, An additional borrowing limit of 0.25 percent of Gross State Domestic Product in a given year is permissible if the interest payments are less than or equal to IO percent of the revenue receipts in the second preceding year. The two options under these flexibility provisions can be availed either separately, if any of the above criteria is fulfilled, or simultaneously if both the above stated criteria are fulfilled. Thus, a maximum fiscal deficit up to 3.5 percent of Gross State Domestic Product limit is permissible in any given year, The flexibility in availing the additional limit under either of the two optionsor both will be available if there is no revenue deficit in the year in which borrowing limits are to be fixed and the immediate preceding year. If any sanctioned borrowing limit of 3 percent of Gross State Domestic Product in any particular year is un-utilised, then the un-utilised borrowing amount (calculated in rupees) can be availed in the following year but up to fiscal year 2019-20." (2) for clause (d), the following clause shall be substituted, namely - "(d) reduce debt stock to 19.04 % of the Gross State Domestic Product (GSDP) within a period of (10) ten years commencing from the year 2010-2011 and ending on 2019-20, in the manner as mentioned below:- Year 2010-11 2011-12 2012-13 2013-14 2014-15 2015-16 2016-17 2017-18 2018-19 2019-20 Maximum debt stock as per centum of Gross State Domestic Product (GSDP) 68.40 65.20 62.10 58.80 55.90 20.63 20.09 19.66 19.32 1 9,04 (Lakchung Sherpa) SSJS L.R.-cum-Secretary, Law Department. S.G.P.G. -133/ Com. 5/Gazette /200 Nos./ Dt:-18.04.2016. SIKKIM GOVERNMENT Gangtok EXTRAORDINARY PUBLISHED BY AUTHORITY Wednesday 23rd June, 2021 GOVERNMENT OF SIKKIM GAZETTE No. 146 LAW & PARLIAMENTARY AFFAIRS DEPARTMENT GANGTOK No. 108/L&PAD/2021 NOTIFICATION Dated: 22.06.2021 The following Act passed by the Sikkim Legislative Assembly and having received assent of the Governor on 18th day of June, 2021 is hereby published for general information:- THE FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT further to amend the Be it enacted by the India as follows:- Short title and commencement Amendment of Section 5 1 2 (1) (2) (AMENDMENT) ACT, 2021 ACT NO. 9 OF 2021 AN ACT Fiscal Responsibility and Budget Management Act, 2010. Legislature of Sikkim in the Seventy-Second Year of the Republic of This Act may be called the Sikkim Fiscal Responsibility and Budget Management (Amendment) Act, 2021. It shall come into force at once. In the Fiscal Responsibility and Budget Management Act, 2010, (1) In sub-section (l), (i) for the clause (b) and the entries relating thereto, the following shall be substituted, namely:- "(b) The State Government shall adhere to a maximum fiscal deficit of 4% of Gross State Domestic Product (GSDP) in 2021-22, 3.5% of Gross State Domestic Product (GSDP) in 2022-23 and maintain it at 3% of Gross State Domestic Product (GSDP) in 2023-24 and thereafter: Provided that, an annual additional borrowing space of 0.5% of Gross State Domestic Product (GSDP) would be allowed for the period 2021-22 to 2024-25 based on certain performance criteria in the power sector: Provided further that, if the State Government is not able to fully utilize its sanctioned borrowing limit, as specified above, in any particular year during the years from 2021-22 to 2024-25, it will have the option of availing this unutilized borrowing amount in any of the subsequent years within 2021-22 to 2025-26" (ii) for clause (d), the following shall be substituted, namely:- "(d) The State Government shall maintain a declining trend of Debt to Gross State Domestic Product (GSDP) ratio after the financial year 2022-23. The indicative debt

path shall be as under: Financial Year 2021-22 2022-23 2023-24 2024-25 2025-26 Debt to GSDP 27.5 28.1 28.1 28 27.9 Suraj Chettri (SSJS) L.R-cum-Secretary Law & P.A. Department F. No. S.G.P.G. 146/ Com. 2/Gazette /1 OO Nos./ Dt: 23.06.2021