



## The Kerala Ceiling on Government Guarantees Act, 2003

Act 30 of 2003

**Keyword(s):**  
Government Guarantee

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## ACT 30 OF 2003

### THE KERALA CEILING ON GOVERNMENT GUARANTEES ACT, 2003 [\[1\]](#)

*An Act to provide for ceiling on Government guarantees and other matters connected therewith or incidental thereto.*

*Preamble.*—WHEREAS it is expedient to provide for ceiling on Government guarantees issued on behalf of the Government departments, public sector undertakings, local authorities, statutory boards, corporations and co-operative institutions and for promoting fiscal discipline of the State;

BE it enacted in the Fifty-fourth Year of the Republic of India as follows:-

1. *Short title and commencement.*—(1) This Act may be called the Kerala Ceiling on Government Guarantees Act, 2003.

(2) It shall come into force on such date as the Government may, by notification in the Gazette, appoint.

2. *Definitions.*—In this Act, unless the context otherwise requires,—

- a) “Government” means the Government of Kerala;
- b) “Government guarantee” includes the guarantee given by the State Government on behalf of the Government departments, public sector undertakings, local authorities, statutory boards, corporations and co-operative institutions;
- c) “prescribed” means prescribed by rules made under the Act;
- d) “State” means the State of Kerala.

3. *Ceiling on Government Guarantees.*—The total outstanding Government guarantees as on the first day of April of any year shall not exceed rupees fourteen thousand crores.

4. *Prohibition.*—Notwithstanding anything contained in any other law for the time being in force, no Government guarantee shall be given in respect of a loan of any private individual, Institution or Company.

5. *Guarantee commission.*—(1) The Government shall charge a minimum of 0.75 per cent per annum as guarantee commission, which shall not be waived under any circumstances.

(2) Depending on the default risk of any project, the Government may, by notification in the Gazette, specify commission at an enhanced rate.

*Explanation.*—For the purpose of this section ‘default risk’ means the probability of default by the borrower on whose behalf the Government guarantee is given, depending on the amount borrowed, the type of industry and the economic situations.

(3) The guarantee given shall not be extended on the expiry of the guarantee period unless the borrower had paid in full the guarantee commission due to the government.

6. *Guarantee Redemption Fund.*—(1) The Government shall, by notification in the Gazette, constitute a fund called the Guarantee Redemption Fund.

(2) The Guarantee commission charged under section 5 shall form the corpus of the Guarantee Redemption Fund and it shall be remitted in the Public Accounts of the State.

(3) The administration of Guarantee Redemption Fund shall be in such manner as may be prescribed.

7. *Power of Government to make rules.*—(1) The Government may, by notification in the Gazette, make rules for the purpose of carrying into effect the provisions of this Act.

(2) Every rule made under this Act shall be laid, as soon as may be after it is made, before the Legislative Assembly while it is in session for a total period of fourteen days, which may be comprised in one session or in two successive sessions, and if, before the expiry of the session in which it is so laid or the session immediately following, the Legislative Assembly makes any modification in the rule, or decides that the rule should not be made, the rule 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.