

Budget Speech of Minister of Finance for 1982-83—Part B

(27th February, 1982)

Sir, before I present my tax proposals, I would like to indicate the broad objectives I have kept in view. While we take comfort in our success in reducing inflation, it is of the utmost importance that the Budget itself should not give rise to further inflationary expectations. Any large uncovered deficit beyond prudent limits is inherently inflationary. It also gives rise to adverse expectations with regard to the behaviour of prices. It is, therefore, my major concern to keep the budgetary deficit as low as feasible.

Another important objective is to avoid measures which would place undue burdens on the low income and middle income groups. These groups are the worst sufferers in times of inflation.

As I have already indicated, providing adequate incentives for increasing production and savings in the economy is a prime objective of this Budget. Larger savings and increases in productivity can significantly help moderate inflationary pressures and also generate resources for development. The buoyancy in revenue and the decline in the rate of inflation in the environment of strong agricultural and industrial growth in 1981-82 confirm this.

Sir, coming now to direct taxes, my first proposal concerns salaried taxpayers. There have been many representations that the income-tax exemption limit should be raised, taking account of increases in the cost of living. I cannot accept, as a principle, that income limits for exemption from tax should be fixed with reference to cost of living. Nevertheless, I believe some relief to salaried taxpayers within the lowest taxable slab would be appropriate. At present, salaried taxpayers are entitled to a standard deduction equal to 20 per cent. of the salary, subject to a ceiling of Rs. 5,000. I propose to raise the rate of deduction from 20 per cent. to 25 per cent. without disturbing the ceiling of Rs. 5,000. This will give a significant measure of relief to those with salaries up to Rs. 20,000. The loss of revenue would be Rs. 21.58 crores in 1982-83.

Another measure of relief seems deserved for those at the end of their working lives. I propose to exempt from income-tax, subject to certain conditions, the encashment benefit in lieu of unavailed earned leave given to employees when they retire.

Taxpayers who are not in receipt of house rent allowance are entitled to a deduction up to Rs. 300 per month in respect of the house rent paid by them. However, persons receiving house rent allowance are entitled to an exemption up to Rs. 400 per month in respect of the house rent allowance received by them. I propose to raise the monetary ceiling

from Rs. 300 to Rs. 400 per month also for those who are not receiving house rent allowance.

The owner of a self occupied house is entitled to a deduction, from the annual letting value of the house, of an amount equal to one-half of the annual letting value or Rs. 1,800, whichever is less. I propose to raise the monetary ceiling of Rs. 1,800 to Rs. 3,600.

The annual letting value of a newly constructed house let out on rent is reduced for tax purposes by an amount up to Rs. 2,400 in respect of each residential unit for a period of five years. With a view to providing a stimulus for construction of houses, particularly for persons with relatively lower incomes, I propose to raise the monetary limit of Rs. 2,400 to Rs. 3,600.

I propose to liberalise the scheme of deduction in respect of long-term savings such as life insurance, provident fund contributions, etc. A deduction of 100 per cent. will be allowed in respect of the first Rs. 6,000 of the qualifying savings, *plus* 50 per cent. of the next Rs. 6,000 of such savings *plus* 40 per cent. of the balance. The monetary ceiling in respect of the savings qualifying for deduction is also being raised from Rs. 30,000 to Rs. 40,000. The higher monetary ceiling in respect of the qualifying savings in the case of authors, playwrights, artistes, musicians, actors, sportsmen and athletes, is also being raised from Rs. 50,000 to Rs. 60,000. These incentives for larger savings will result in a revenue loss of Rs. 26.17 crores in a full year and Rs. 19.76 crores in 1982-83. It may be desirable in due course to provide a wider choice of eligible modes of savings to taxpayers. I, therefore, propose to extend the existing tax concession in relation to investment in notified Central Government securities.

I find that out of the new life insurance policies issued by the Life Insurance Corporation of India, nearly 15 per cent. policies lapse before the end of the following year. Such a high volume of lapses shortly after the issue of the policies is a matter of concern. It also implies that the very purpose for which the tax concession is allowed in respect of premia on such policies, which is to promote long-term savings through life insurance, is frustrated. I propose, therefore, to provide that where a taxpayer discontinues a life insurance policy before premia for two years have been paid, no deduction will be allowed in respect of the premia, if any, paid under the policy and, if such deduction has been allowed, the same shall be withdrawn.

Under the existing incentives for stimulating savings and investment, income up to Rs. 3,000 from investment in specified financial assets, such as Government securities, units in the Unit Trust of India, bank deposits and shares in Indian companies, is exempt from income-tax. In addition,

income up to Rs. 2,000 from units in the Unit Trust of India is exempt from tax. I propose to raise the ceiling of Rs. 3,000 to Rs. 4,000 and the separate ceiling in respect of income from units, from Rs. 2,000 to Rs. 3,000. This measure will result in a revenue loss of Rs. 12·12 crores in a full year and Rs. 9·09 crores in 1982-83.

As a parallel measure, I propose to raise the ceiling of the value of investments in specified financial assets exempt from wealth-tax from Rs. 1,50,000 to Rs. 1,65,000. In addition, the separate exemption of Rs. 25,000 provided in respect of units in the Unit Trust of India is proposed to be raised to Rs. 35,000. The revenue loss will be Rs. 1·54 crores in a full year, but there will be no loss in 1982-83.

At present taxpayers are allowed a deduction, in the computation of taxable income, of 50 per cent. of amounts invested in equity shares of new industrial companies and companies engaged in providing long-term finance for construction or purchase of houses for residential purposes. The maximum investment in a year qualifying for this deduction is limited to Rs. 10,000. With a view to encouraging larger investments in such companies, I propose to raise the monetary ceiling for investment to Rs. 20,000.

While I have given some relief to those in the lowest taxable income range, I consider that there is scope for more progression in the tax rates for high incomes. I, accordingly, propose to modify the rates of personal taxation, so as to raise the rate of income-tax on the slab of Rs. 60,001 to Rs. 70,000, from 50 per cent. to 52·5 per cent. and on the slab of Rs. 85,001 to Rs. 1,00,000, from 55 per cent. to 57·5 per cent. This would yield Rs. 3·24 crores in a full year and Rs. 2·43 crores in 1982-83.

Deduction of tax at source from dividends, interest on securities and other interest causes considerable inconvenience, and even hardship, to a large number of small investors whose taxable income is below the exemption limit. For the convenience of such persons, I propose to provide that income-tax shall not be deducted at source if the recipient furnishes a declaration to the payer of such income to the effect that his estimated total income of the relevant year will be below the exemption limit.

I also propose to provide that tax will not be deducted at source from interest paid on such securities of the Central Government or a State Government as may be notified by the Central Government in this behalf.

The tests of "residence" in India laid down for taxation purposes result in hardship to Indian citizens earning income in foreign countries who come to India for short spells. An individual is regarded as resident in India in a year if he stays here in that year for 30 days only, and also maintains a dwelling house here for 182 days or more. As this test causes

hardship to persons working outside India, who come home even on relatively short visits, I propose to delete this test of residence.

Under another test, persons who have been in India for 365 days or more in the four years preceding the relevant year, become resident in that year by being in India for 60 days or more in that year. In the case of Indian citizens who are employed abroad and who come to India on leave or vacation, the period is 90 days. I propose to extend this benefit also to the self-employed and those in other occupations, irrespective of their avocation abroad or the nature of their visit to India.

Indian citizens who go abroad for purposes of employment are now chargeable to tax in India on their foreign income, if they have stayed in India for more than 60 days that year. I propose to liberalise the provision so that an Indian citizen who leaves India in any year for purposes of employment shall not be treated as resident unless he has been in India for 182 days or more in that year.

I will now come to some proposals regarding foreign exchange earnings. I propose to provide some tax relief to exporters whose export turnover for any year exceeds that of the immediately preceding year by more than 10 per cent. The tax relief, to be calculated at a specified percentage of such excess turnover, would be limited to 10 per cent. of the income-tax otherwise payable on export profits. The rate at which the tax relief will be calculated and the goods qualifying for the purposes of this concession will be notified by the Central Government.

With a view to strengthening the competitiveness of our construction contractors who have undertaken projects outside India, I propose to exempt 25 per cent. of the profits derived by them from such foreign contracts, subject to certain conditions.

With a view to augmenting the capital base of Indian banks engaged in banking operations in foreign countries, I propose to provide that those banks which are approved in this behalf by the Central Government would be entitled to a deduction up to 40 per cent. of their income carried to a special reserve account.

Interest-tax levied under the Interest-tax Act forms an integral part of our credit policy. However, taking note of the escalation in costs of industrial projects, I propose to exempt scheduled banks from payment of interest-tax on the interest received by them on loans sanctioned in foreign currency for import of capital plant and machinery. With a view to improving the competitiveness of export of capital plant and machinery, I propose to exempt interest paid on credit sanctioned by scheduled banks for export of capital plant and machinery on deferred payment terms outside India.

Investment allowance at the higher rate of 35 per cent. is granted in respect of machinery and plant installed for the manufacture of articles made with know-how developed in Government laboratories, public sector companies, recognised institutions and universities. This concession is available in relation to machinery and plant installed up to 31st March, 1982. I propose to extend this tax concession for a further period of five years.

Dividends received by a domestic company from an Indian company engaged exclusively or almost exclusively in the manufacture of specified articles are completely exempt from income-tax. Having regard to the importance of basic drugs, synthetic rubber and rubber chemicals (including carbon black), I propose to extend the benefit of this tax concession to dividends received from companies engaged in the manufacture of these articles as well.

At present, scheduled commercial banks are allowed a deduction in respect of provisions made by them for bad and doubtful debts relating to advances made by their rural branches. The deduction is limited to 1.5 per cent. of the aggregate average advances made by the rural branches. In order to promote rural banking and to assist non-scheduled commercial banks operating in the rural sector, I propose to extend the benefit of this tax concession to them also.

Energy saving and protection of the environment are high priority areas. I, therefore, propose to allow depreciation at 30 per cent. on devices and systems for energy saving, or for minimising environmental pollution or for conservation of natural resources. The list of the qualifying items will be notified in due course.

At present, taxpayers are entitled to 100 per cent. deduction in respect of donations made to approved institutions engaged in carrying out programmes of rural development. I propose to extend this concession to donations made to approved institutions for use in programmes of conservation of natural resources.

Hon'ble Members will be happy to hear that I propose to place donations made to the National Children's Fund at par with donations made to other funds of national importance such as the National Defence Fund, the Jawaharlal Nehru Memorial Fund and the Prime Minister's National Relief Fund.

I consider that some rationalisation of the taxation in respect of capital gains is desirable. In the case of non-corporate taxpayers, long-term capital gains up to Rs. 5,000 are deducted in full. Of the balance amount a deduction of 25 per cent. is allowed where the gains relate to lands and buildings and of 40 per cent. where the gains relate to other assets. I

propose to modify these provisions so as to relate the deduction to the period for which the capital asset has been held by the taxpayer, and allow a larger deduction in cases where the asset has been held for a longer period. The aggregate deduction in respect of capital gains relating to gold, bullion or jewellery will, however, be restricted to Rs. 50,000 only.

There is an acute shortage of housing, and house building activity has to be given impetus. With a view to providing an incentive to taxpayers who do not own a residential house, I propose to exempt from tax long-term capital gains arising from the transfer of other assets where the net consideration is invested by the taxpayer in a residential house.

At present, capital gains arising from the transfer of a house used for personal residence by the taxpayer are exempt from income-tax to the extent that such gains are utilised by the taxpayer for constructing or purchasing a house for purposes of personal residence within a specified period. These conditions often lead to hardship. I, therefore, propose to remove these restrictive conditions.

Charitable and religious trusts are required to conform to the investment pattern laid down in the Income-tax Act. Any trust which has not changed over to this pattern of investment will forfeit exemption from tax from the assessment year 1982-83. These trusts have been given adequate notice to change their investment pattern and, ordinarily, I would not have proposed any modification in these provisions. However, I find that the whole gamut of the provisions relating to charitable and religious trusts is under consideration by the Economic Administration Reforms Commission. As the Government would like to carefully consider the recommendations of the Commission in this matter, I propose to amend the relevant provisions so that such trusts do not forfeit exemption from income-tax for the assessment year 1982-83.

My distinguished predecessor had made an announcement in the Lok Sabha on the 31st March, 1981, that the provisions of the Income-tax Act relating to the investment pattern of trust funds would be modified, so as to permit charitable and religious trusts or institutions to invest the trust funds in immovable properties as well. I am proposing an amendment of the relevant provisions of the Income-tax Act to fulfil the assurance given by him.

While the levy of wealth-tax on agricultural property was discontinued by the Finance (No. 2) Act, 1980, owners of tea, coffee, rubber and cardamom plantations continue to be chargeable to wealth-tax. Our experience is that the valuation of agricultural land forming part of such plantations leads to administrative difficulties, complaints of harassment and litigation. The yield from this levy is also insignificant. I, therefore,

propose to discontinue the levy of wealth-tax on such plantations as well.

The value of tools and instruments necessary to enable the taxpayer to carry on his profession or vocation is exempt from wealth-tax up to an aggregate amount of Rs. 20,000, which appears inadequate. I propose to raise it to Rs. 50,000. I also propose to raise, from the present Rs. 30,000 to Rs. 75,000, the ceiling of the value of conveyances, including motor cars, for the purpose of exemption from wealth-tax.

Stamp duty paid on an instrument relating to the gift of any property is allowed as a deduction from the gift-tax payable by the taxpayer in cases where the amount of gift-tax exceeds Rs. 1,000. I propose to allow the benefit of this deduction even where the gift-tax payable does not exceed Rs. 1,000.

The Hotel-Receipts Tax Act, 1980, provides for the levy of a tax on the gross receipts of luxury hotels. As the levy of this tax may adversely affect the flow of foreign tourists into India, I propose to discontinue this levy in relation to the chargeable receipts of such hotels accruing or arising or received by them after the 27th February, 1982. The revenue loss would be about Rs. 6 crores.

The other proposals in the field of direct taxes are of relatively minor importance. I would, therefore, not like to take up the time of the House by referring to them here.

Hon'ble Members would have noted that in the direct tax proposals I have set out, I have endeavoured to preserve stability in the tax system, while providing substantial incentives for savings. I have also rationalised the capital gains tax and provided some concessions where necessary.

Mr. Speaker, Sir, I now turn to the area of indirect taxes. Taking customs duties first, my principal proposal is with regard to auxiliary duties of customs. This levy, which has been imposed on an annual basis since the 1973 Budget, is proposed to be continued during 1982-83. The balance of payment position has been under pressure in recent times and will continue to be so for some time to come. However, a liberalised regime of imports has been a feature of our economic policies. This will be continued in order that investment and production, particularly in essential and priority sectors, are not hampered or slowed down. There is no strong reason, however, why those who have access to imports in a difficult situation should grudge to pay a little more. I, accordingly, propose to increase the rates of auxiliary duties by 5 percentage points on all categories of imports, with some exceptions.

I am excluding from the proposed increase in auxiliary duty essential items like crude petroleum, bulk petroleum products, such as kerosene

and high speed diesel oil, and some other items on which import duty rates have been adjusted in the recent past on price parity considerations. Fuller details of these proposals are available in the Budget papers.

My proposals relating to auxiliary duties of customs are expected to yield an additional revenue of Rs. 290 crores.

In the light of the present market conditions, and the need for encouraging a few selected industries, it is necessary to effect certain changes in the basic customs duties. I proposed to raise the basic customs duty on cork and cork articles from 40 per cent. to 60 per cent. *ad valorem*; on certain categories of dyestuffs, from 60 per cent. to 100 per cent. *ad valorem*; and on certain other categories of dyestuffs, pigments and colours and paints and varnishes, from 100 per cent. to 150 per cent. *ad valorem*. I also propose to increase the basic customs duty on certain items of iron and steel, such as melting scrap of stainless steel and heat-resisting steel, and certain categories of alloy steel excluding stainless steel and heat resisting steel, from the existing levies to 60 per cent. *ad valorem*. The effective rate of basic customs duty on copper pipes and tubes, blanks and hollow bars of prescribed specifications will be increased from 40 per cent. to 60 per cent. *ad valorem*. The basic customs duty on polyester chips is being increased from 100 per cent. to 140 per cent. These proposals are likely to result in additional revenue of Rs. 42 crores.

It may be recalled that in the last Budget, an effective customs duty of 15 per cent. *ad valorem* was imposed on imported newsprint on which there continues to be large foreign exchange outgo. The Government has received representations against this levy. I propose to convert the *ad valorem* levy to a specific total levy of Rs. 825 per metric tonne so as to obviate automatic increase in its incidence on account of rising international prices. There will be no revenue loss

The indigenous zinc and lead industries are facing difficulties owing to escalation of input costs, particularly of imported concentrates. In order to enable them to increase their capacity utilisation, I propose to reduce the total customs duty incidence on imported zinc concentrates from 50 per cent. to 15 per cent. *ad valorem* and that on lead concentrates from 50 per cent. to 5 per cent. *ad valorem*. Simultaneously, I propose to increase the customs duty on imported zinc metal from 50 per cent. *ad valorem* to 60 per cent. *ad valorem*. In order partly to offset the revenue loss I propose to increase excise duties on indigenously produced zinc metal, zinc scarp and zinc products by Rs. 715 per metric tonne and that on lead metal and scrap by Rs. 374 per metric tonne. The excise duty on zinc pipes and tubes will go up from 38.5 per cent. to 49.5 per cent. *ad valorem*.

These measures, taken together, would result in an overall loss of about Rs. 41 lakhs.

With a view to improving the competitive position of Indian chromite ore in the context of falling prices in the export market, I propose to convert the existing specific rates of export duty applicable to different grades of the ore and concentrates to an *ad valorem* duty of 10 per cent. The revenue sacrifice is of the order of Rs. 1 crore.

I also propose to fully exempt two fertilizers—Calcium Ammonium Nitrate and Ammonium Sulphate from customs duties. The import duty on internal combustion engines and non-interchangeable parts of such engines for manufacture of power tillers is also proposed to be reduced from 125 per cent. to 50 per cent.

I propose to fully exempt 10 more bulk drugs imported for manufacture of life-saving drugs and medicines. Details are being notified.

During the past few years, the Government has been using the fiscal mechanism for accelerating the growth of the electronics industry. As a further step in this strategy, I propose to raise the basic customs duty on electronic items such as computers, calculating machines, accounting machines, cash registers and certain electronic sub-assemblies from the existing levels of 40, 50 and 60 per cent. to 100 per cent. *ad valorem*. On the other hand, I propose to extend the scope of the present import duty concessions to cover 45 new items of capital equipment and 13 new items of raw materials and components used by the electronics industry. The customs duties leviable on these items are proposed to be reduced from the respective existing rates to 35 per cent. *ad valorem* in the case of machinery and instruments and to 55 per cent. *ad valorem* in the case of raw materials and components. The net revenue gain from these proposals is Rs. 13 crores.

Representations have been received that it is not always possible for units in the Free Trade Zones to export their entire production, and that a provision should be made to allow a proportion of the goods manufactured in these Zones to be cleared into the domestic tariff area. It has been decided, subject to certain conditions, to allow such removals up to 25 per cent. of the production of a unit for sale or use within the country on payment of appropriate duties. Provision is being made in the Finance Bill to amend the Customs and Central Excise Acts for the purpose.

On the Central excise side, the levy of special duties of excise is proposed to be continued at the existing rates during the year 1982-83. The existing exemptions from the special duty are also proposed to be continued.

As I said earlier, my basic approach has been that additions to revenue from Central excise duties should essentially come from increased production. I am also avoiding recourse to measures which could affect retail prices over a wide spectrum of goods. I have accordingly selected only a very few items for increased taxation. In selecting these items, I have kept in view the demand and supply situation which has resulted in undue profits to trading channels, the scope for subjecting certain articles of elite consumption to a higher rate of tax, and the need to restructure the excise and customs duties applicable to certain basic industries.

The Government has decided to introduce a scheme of 'levy' and 'free' sale of cement, and a dual pricing policy based on this concept. Details of the new scheme are being notified by the Government separately. There has been no increase in the low level of basic excise duty on cement since January, 1977, even though thereafter the price of cement has increased very substantially. I propose to increase the total excise duty on ordinary portland cement, portland pozzolana cement, blast furnace slag cement and masonry cement, from Rs. 71.50 to Rs. 135 per metric tonne. The more expensive special varieties of cement will be subject to higher rates of duty. The effective total excise duty on cement produced in mini cement plants is proposed to be fixed at Rs. 100 per tonne. I also propose to impose a basic customs duty of Rs. 10 per cent. *ad valorem* on imported cement, together with full countervailing duty. No auxiliary duty would be leviable on imported cement. These proposals will give additional revenue of Rs. 158.73 crores on the Central excise side and Rs. 39.60 crores on the customs side. The impact of the proposed increase in excise duty per bag of cement of 50 kilograms would work out to Rs. 3.175.

In the recent past, certain expensive electronic goods favoured by the affluent are being produced in increasing quantities. These are now subjected to a very low incidence of duty at 8 per cent. *ad valorem* under item 68 of the Central Excise Tariff. I now propose to carve out new entries in the Excise Tariff, and subject video cassette recorders and reproducers, television cameras and video cameras, and similar goods to a basic excise duty of 25 per cent. *ad valorem*. Blank and recorded video and audio tapes of the spool and cassette types, as also video discs, are also proposed to be subject to a basic duty of 25 per cent. *ad valorem*. Recordings which are not for commercial purposes will be exempt. I also propose to levy basic duty at a higher rate of 40 per cent. on electronic machines for games of skill or chance, including those used for television games and video games. These proposals would yield revenue of Rs. 3.83 crores.

Toilet preparations not containing alcohol are liable to Central excise duty at the basic rate of 100 per cent. *ad valorem* whereas those containing

alcohol attract duty under the Medicinal and Toilet Preparations (Excise Duty) Act at only 60 per cent. *ad valorem* or Rs. 13·20 per litre of pure alcohol content, whichever is higher. Some misuse, because of these differential rates, has come to notice. I, therefore, propose to raise the alternative *ad valorem* rate to 100 per cent. *ad valorem* so as to place both categories of toilet preparations more or less at par. The revenue yield from this measure is expected to be Rs. 2·3 crores and would accrue mostly to the States.

Hon'ble Members may recall that the Textile Policy Statement of March, 1981, envisaged a review of fiscal levies on man-made fibres and yarn. While cotton will continue to enjoy the predominant position in textiles, it is necessary to encourage increased consumption of blends of cotton and man-made fibres and yarns, if we are to achieve the Plan target of even a modest increase in the per capita availability of cloth. For some time past, blended fabrics containing polyester fibre in proportions too small to impart the requisite durability and easy-care properties to the fabrics are flooding the market with stampings thereon which would mislead the public. From the point of view of better utilisation of polyester fibre, it is necessary to encourage blends of desirable proportions and discourage blends which do not really serve the intended purpose. I, therefore, propose to make certain changes in the fiscal levies applicable to man-made fibres and yarns. I propose to increase the duty on blended cotton yarn and cellulosic spun yarns containing up to one-sixth by weight of polyester fibre from the existing average total incidence of Rs. 1·63 per kilogram to Rs. 7·5 per kilogram. The total incidence on such blended yarns containing more than one-sixth but less than 50 per cent. of polyester fibre, which seem to be desirable blends in Indian conditions, is proposed to be reduced from Rs. 22·50 per kilogram to Rs. 11·25 per kilogram. Similarly, the incidence on blends containing 50 per cent. or more but less than 70 per cent. of polyester fibre is being reduced from Rs. 30 per kilogram to Rs. 22·50 per kilogram. There will be no change with regard to blends containing 70 per cent. or more of polyester fibre.

It is proposed to increase the total incidence of Central excise duty on acrylic fibre from Rs. 12·50 to Rs. 17·50 per kilogram and simultaneously to reduce the countervailing duty on imported fibre from Rs. 37·50 to Rs. 30 per kilogram.

Turning to viscose staple fibre, the excise duty is being raised from Rs. 3·125 per kilogram to Rs. 4 per kilogram and the duty on polynosic and high wet modulus fibres is being reduced from Rs. 5 to Rs. 4 per kilogram.

Acetate filament yarn which is used in the decentralised sector is not produced in adequate quantities in the country. It is proposed to reduce the customs duty on it from 125 per cent. to 20 per cent. *ad valorem* so as to facilitate imports of this yarn.

I do not propose to change the excise or basic customs duty rates applicable to other fibres such as acetate fibre and polyester fibre and other filament yarns such as viscose, nylon and polyester filament yarn.

These proposals would result in a net loss of Rs. 13 crores on the Central excise side and a gain of Rs. 12.94 crores on the customs side.

At present, there is no basic excise duty leviable on man-made fabrics, the incidence of such duties having been shifted to the fibre and yarn stages. These fabrics attract only additional excise duties in lieu of sales tax. While the present rate structure is progressive on fabrics having ex-factory price up to Rs. 10 per square metre, it is not so in respect of the higher priced fabrics since the duty applicable to them is a uniform $5\frac{1}{2}$ per cent. *ad valorem*. There are very high-priced fabrics in this range, catering to affluent consumption, and these fabrics can well bear a moderate increase in duties. I, therefore, propose to introduce further progression in the rate structure in such a way that fabrics having ex-factory prices of more than Rs. 20 per square metre would attract duty at $7\frac{1}{2}$ per cent. *ad valorem*. The additional revenue from this proposal is estimated at Rs. 35 crores, which will go to the States. The proposal would also be a step towards fulfilment of the Centre's commitment to the States to increase the overall incidence of additional excise duties in lieu of sales tax, as a percentage of the value of clearances. I am sure that Parliament and the States would wholeheartedly welcome this step.

The overall effect of the duty changes on blended fabrics containing cotton, cellulose and polyester would be a decrease in the price of desirable blends and an increase in the price of the other less desirable blends.

I have included in the Finance Bill some provisions designed to achieve simplification and greater clarity in the tariff nomenclature and thereby minimise the scope for classification disputes. These measures are not designed as revenue raising exercises, but because of the changes in classifications, some revenue will accrue. The proposals cover, among others, major petroleum products, artificial and synthetic resins and plastic materials.

I also propose to rationalise and restructure the tariff relating to paper and paper boards, the primary objective being to exempt small scale paper

converters from payment of excise duty and to release them from excise control. In order to recoup the consequent loss in revenue, I propose to raise the basic excise duty on industrial varieties of paper and paper boards by a small margin of $2\frac{1}{2}$ per cent. *ad valorem*. However, certain converted papers of high value-added categories are proposed to be subject to basic excise duty at $32\frac{1}{2}$ per cent. *ad valorem*. Similarly, specified articles made of paper and paper board are proposed to be brought within the purview of the tariff item but effectively restricting the levy to printed cartons and printed boxes.

In recent years, the scheme of input excise duty relief has been extended to cover certain specified industrial products. I propose to further extend input duty relief in respect of synthetic rubber, carbon black and rubber processing chemicals going into the production of tyres. To make up for the revenue loss, I propose to raise the duty leviable on tyres from a total of 60·5 per cent. to 66 per cent. *ad valorem*. While tyres for tractors and scooters will also enjoy the benefits of the input duty relief, I do not propose to increase the final duty rates on them. As this is intended to be a balancing exercise, no credit for additional revenue is being taken.

As the House is aware, the administered price of aluminium metal is revised periodically, keeping in view escalations in input costs. In order to contain the incidence of excise duty, it is proposed to levy duty at specific rates. The rates would be Rs. 3,085 on electrolytic grade ingots, Rs. 3,125 on billets, Rs. 3,330 on wire rods produced by primary producers and Rs. 3,280 on wire bars. There would be no change in the rates of counter-vailing duties. The proposal will give some relief to the finances of State Electricity Boards.

As an anti-avoidance measure, I propose to add to the present *ad valorem* levy on flat glass, a specific levy at the rate of Rs. 5·50 per millimetre thickness per square metre. Effective rates of duty are being prescribed at lower levels for different categories of flat glass.

The Government has received a large number of representations alleging malpractices in the biri industry, on account of the present differential rates of excise duty applicable to branded and unbranded biris. Many State Governments and Associations have urged that this distinction should be done away with. A suggestion to the same effect has also been made in a recent meeting of Labour Ministers. Taking note of these points, I propose to do away with the existing duty differential and to subject both branded and unbranded biris to a uniform composite duty rate of Rs. 3·60 per thousand. Simultaneously, the existing quantum of unbranded biris eligible for duty free clearance is also being reduced from

30 lakhs to 20 lakhs in a financial year. This would still leave self-employed family units, petty shop-keepers, etc., out of the tax net.

The general scheme of excise duty concession applicable to small manufacturers of 72 specified groups of commodities is being extended to manufacturers of asbestos fibre and yarn. Some misuse of the scheme with a view to avoiding excise duty on popular brands of aerated waters has come to notice. I, therefore, propose to take aerated waters out of the scope of the general scheme and devise a new scheme for it. Essentially, small manufacturers who sell their products under their own brand or trade names would continue to enjoy the benefits available under the present scheme. However, manufacturers who produce and bottle aerated waters under brand or trade names in pursuance of agreements with the owners of such brand or trade names would not be eligible for the concession. This also is purely an anti-avoidance measure.

The general scheme referred to earlier seems to have been similarly exploited by certain small manufacturers of synthetic organic dyestuffs. Under the present scheme, clearances up to Rs. 7½ lakhs are fully exempt and an additional Rs. 7½ lakhs are subject to duty at ¾ths of the duty rate applicable to the organised sector. In view of the relatively high rate of duty on dyestuffs and the fact that techniques of production of some dyestuffs are comparatively simple, it appears there has been a proliferation of small units with consequent deleterious effects on the quality, and also on the industry as a whole and on exports. I, therefore, propose to delete dyestuffs from the purview of the general scheme. Under a new scheme which is being announced in respect of dyestuffs, very small manufacturers whose clearances do not exceed Rs. 1 lakh per annum will be fully exempt from excise duty. In the case of other small manufacturers, clearances up to Rs. 15 lakhs of dyestuffs will be subject to 50 per cent. of the duty applicable to the organised sector. All manufacturers will be brought under excise control. The monetary content of the present scheme of relief is, by and large, maintained under the new scheme.

At present, certain specified consumer electronic goods manufactured in the small sector attract duty rates lower than the normal rates. To restrict this duty concession to genuine small manufacturers, it is proposed to restrict the scheme of duty exemption to manufacturers with total annual turnover not exceeding Rs. 2 crores.

With regard to the match industry, I do not propose to disturb the existing duty structure. Small manufacturers whose clearances have not exceeded 150 million matches in the preceding financial year would continue to be eligible for the concessional rate of duty of Rs. 1.60 per gross boxes on clearances up to 120 million matches in the financial year. The

concession will not be available if the matches are marketed under the labels of manufacturers who pay duty at Rs. 4.50 or Rs. 7.20.

As Hon'ble Members are aware, the Government has been using the excise duty mechanism as a powerful incentive for the growth of the cottage sector of the match industry. A number of manufacturers in the middle sector have, however, challenged in courts of law, the excise concession scheme for the cottage sector and obtained judgments in their favour. This may result in refund of substantial amounts of duty to the middle sector units. As the element of duty at the higher rate would have already been passed on to the millions of consumers, any refund of such duties would only result in unjust enrichment. A provision has been made in the Finance Bill to obviate this contingency.

There have been some disputes in the recent past regarding the determination of assessable values of excisable goods from a given cum-duty price, resulting in considerable litigation. This has resulted in locking up substantial amounts of revenue. It is proposed to suitably amend section 4 of the Central Excises and Salt Act to make it clear that in computing the amount of duty of excise deductible from the cum-duty price, the effective amount of duty of excise payable on the goods under assessment shall alone be taken into account. This amendment is being given effect to retrospectively from 1st October, 1975.

It has been the long-standing practice to charge excise duty on goods used for captive consumption within the factory where they are produced. Some doubt had, however, been cast on this position as a result of judgments of some High Courts, which interpreted certain provisions of the Central Excise Rules to hold that duty could not be collected on such goods as they had not been 'removed' from the factory. A number of manufacturers have also obtained stay orders from courts based on the same grounds. The matter has been taken up in appeal. Nevertheless, in order to place the position beyond doubt, the relevant Central Excise Rules have been suitably amended. A provision has also been included in the Finance Bill so that these amendments will have retrospective effect and the collections of duty made in accordance with the existing practice will also be validated.

As the House is aware, 1982 has been designated by the Prime Minister as the "Productivity Year". With the improvement in infrastructural facilities, it is hoped that industrial production would register further growth in the current year. The fiscal mechanism could be judiciously deployed in furthering this objective. With this in view, I propose to formulate a scheme of excise duty concession for increased production of goods during the period of 12 months commencing on the 1st March

1982, and ending on the 28th February, 1983. The scheme would cover 38 tariff items including some basic raw materials, other important industrial inputs and certain finished products. Some of the items are caustic soda, fertilisers, synthetic resins, steel ingots and steel products, internal combustion engines, wires and cables, two and three wheeled motor vehicles, light and heavy commercial vehicles, tractors, railway wagons, man-made fibres and filament yarn, tyres and writing and printing paper. A full list may be found in the Budget papers. The benefits of the scheme would accrue only in cases where the production in the 12 months period referred to above exceeds 110 per cent. of the production during the base period, namely, the 12 months ending on the 28th February, 1982. The duty concession would be 1/5th of the total amount of duty paid on the excess production computed, as explained earlier, in respect of goods carrying basic excise duty of 20 per cent. *ad valorem* or less, and 1/10th of the duty in other cases. The amount so computed, for the whole period would be given as a credit which may be utilised for payment of Central excise duty during the financial year 1983-84.

The scheme will apply also to small scale manufacturers, who actually pay duty. It is proposed to ensure that those small scale units which are eligible for the benefits of the relevant excise duty concession schemes and are within the respective cut-off points during the year 1981-82, would continue to be eligible to the said benefits in 1983-84, even if they produce and clear goods in excess of the eligibility limits in the Productivity Year.

I am sure that industry will rise to the occasion and respond to this generous gesture of the Government and achieve new peaks of production. Since the Government would also be a beneficiary of the higher production in the shape of increased collection of excise duties, I do not propose to take any amount as revenue loss on account of the proposed concession.

I have already referred to the need to minimise the impact of my proposals on the middle and poorer sections of society. I propose to go further and give some concessions on articles of special interest to those sections. I propose to partially or fully exempt from excise duties several articles of common consumption. Some of these products are of interest to the student community, some are of general utility, yet others of interest to the disabled and one in the interest of horticulture. I propose to fully exempt from excise duty, pencils, erasers, pens including ball point pens and refills, laboratory glassware, enamelware, thermos flasks and parts, water coolers, candles, tooth brushes, spectacles and spectacle frames, one-day alarm clocks, domestic water filters, handpumps, Braille typewriters, invalid carriages and helmets. Further, I propose to reduce the basic excise duty on specified fruit and vegetable preparations from 15 per cent. to 10 per cent. *ad valorem*. I also propose to increase the present value limits

of Rs. 15 per pair of footwear for eligibility to full duty exemption, to Rs. 30 per pair. Lac is also being exempted. In order to reduce the packaging cost involved in the sale of milk in laminated paper packs, I propose to exempt from excise duty low density polyethylene film and paper to be used by the Indian Dairy Corporation for the manufacture of such paper packs. This measure should enable larger marketing of milk in paper packs which have a longer shelf life, and also help in the fuller utilization of surplus milk produced in flush seasons.

At present, mopeds of engine capacity up to 79 cc bear a reduced rate of excise duty of 10 per cent. *ad valorem*. This fuel-saving personalised conveyance is becoming increasingly popular particularly in urban and semi-urban areas. I propose to extend the concession to mopeds of engine capacity up to 100 cc which are expected to be more fuel-efficient.

I had referred earlier to certain adjustments of excise and customs duties consequent on a review of the fiscal levies on man-made fibres and yarn. The production of blended cloth in the handloom sector is at present around 12 million metres. In order to enable the handloom sector to register faster growth, I propose to fully exempt from excise duties, polyester blended fabrics woven on handlooms from processing stage duties, if they are processed in factories set up by State Handloom Development Corporations or Apex Co-operative Societies approved in this behalf by the Central Government. This concession involves a revenue loss of Rs. 4 crores. I also propose to exempt metalised man-made filament yarn from the whole of the excise duty considering its use in saris and the like. The value of this concession is about Rs. 1 crore.

These excise duty concessions I have just referred to entail a total revenue sacrifice of Rs. 13.77 crores in a full year.

Where the changes are to be made by Notifications effective from 28th February, 1982, copies thereof will be laid on the Table of the House in due course.

My proposals will yield a net sum of about Rs. 196.18 crores from excise duties and Rs. 391.35 crores from customs duties. The yield from duties under the Medicinal and Toilet Preparations (Excise Duties) Act will be Rs. 2.30 crores in a full year. Taking all the proposals together, the net accrual to the Central exchequer in a full year will be Rs. 487.60 crores and that to the States will be Rs. 102.23 crores.

I now have something to say on behalf of my hon'ble colleague, the Minister of Communications. As the House is aware, postal services have been extended over the years throughout the country. There are over 1,40,000 post offices. The service is highly employment intensive, with more than 5.6 lakh employees including extra-departmental staff. Salaries

and wages, therefore, constitute a major part of the operating expenses of the Postal Department. The postal services are presently under-priced and the rates are inadequate even to meet the direct cost of several services. The grant of additional instalments of dearness allowance, and increases in other operating expenses, add significantly to these costs. A revision of tariffs for some postal services has therefore, become unavoidable. Accordingly, it is proposed to raise the rate for printed post cards from 20 paise to 25 paise, letter cards from 25 paise to 35 paise and envelopes of the lowest weight slab from 35 paise to 50 paise. There will be no increase in the rate of the ordinary post card which is generally used by the common man, even though this service involves an annual loss of about Rs. 20 crores. The tariff for book-post articles is also proposed to be raised from 25 paise to 30 paise. The postage for a registered newspaper has remained at the very low level of 2 paise for many years now. It is proposed to fix it at 5 paise for a single newspaper, with suitable adjustments for higher weight slabs. Even after this revision, the newspaper service will be subsidised to the extent of Rs. 7 crores a year.

A memorandum showing the proposed tariffs is being circulated along with the Budget documents. The changes would take effect from a date to be notified after the Finance Bill is passed by Parliament. The revisions proposed are estimated to yield an additional revenue of Rs. 35.33 crores in a full year and about Rs. 26 crores in 1982-83.

I had mentioned that the budgetary deficit at the existing rates of taxation would be Rs. 2,085 crores. The tax measures proposed now, taken together with the reliefs and concessions, are estimated to yield net additional revenue of Rs. 470 crores to the Centre and Rs. 63 crores to the States during 1982-83. Besides, the States will get an additional revenue of over Rs. 2 crores from the increase in the duty on medicinal and toilet preparations. I am taking credit for Rs. 250 crores as receipts from the Capital Investment Bonds which I referred to earlier. This would leave an uncovered deficit of Rs. 1,365 crores in 1982-83, which is substantially lower than the estimated deficit for the current year.

Mr. Speaker, Sir, I have set forth a framework of policies with a view to encouraging higher savings, investment and production in the economy. Plan outlays are being stepped up substantially, particularly for sectors emphasized in the 20-Point Programme. Adequate provision has been made for national security. Despite these commitments, the budgetary deficit has been contained within reasonable limits. To achieve this, a measure of resource mobilisation was inescapable. I have, however, taken care to see that resources are raised without building new inflationary pressures. In particular, I have tried to avoid placing burdens on the low and middle income groups. The Budget constitutes a challenge to all those

who are associated with the implementation of our development plan. It is an invitation to farmers, industry and labour for higher productivity to the trading community for ensuring healthy marketing and distribution; and, indeed, to all our people, soldiers and civilians, to march forward shoulder to shoulder in the twin tasks of national development and defence.

Sir, I now commend the Budget to the House.
