SPEECH OF
SHRI VISHWANATH PRATAP SINGH,
MINISTER OF FINANCE AND COMMERCE AND SUPPLY,
INTRODUCING THE BUDGET FOR THE YEAR 1985-86*

Highlights

— *Social Security Scheme to be introduced*
— *Convertible Cumulative Preference Share Introduced to diversify Market*
— *Special Legislation for Sick Industrial Units Proposed*
— *Measures Proposed for the Benefit of Industrial and other Workers*

Sir, I deem it a great privilege to present the first Budget of the New Government.

I am conscious of the fact that the tremendous responsibility that has devolved on us at this critical juncture, arises not only from the office that we hold but more so from the immense trust that the people have reposed in us. We pledge all our endeavour to justify this trust of the common man.

I am reminded of the words of our beloved departed leader, the late Prime Minister, Smt. Indira Gandhi:

> "No section of our vast and diverse population should feel forgotten. Their neglect is our collective loss."

Budget, 1985-86

Total Receipts	—	**Rs. 47,635 crore**
Total Expenditure	—	**Rs. 51,295 crore**
Deficit	—	**Rs. 3,660 crore**

* *Lok Sabha Debate,* 16.3.1985, cc. 1-45.

We can no longer hear her voice but her words will live with us. In the task of nation-building, she spared herself no pain not even the pain of death. She has left us a legacy signed in her own blood; a legacy to preserve this country and keep it moving ahead. To this cause of hers we rededicate ourselves.

The Economic Survey, which has been presented to the House, deals with economic development in the current year in detail. I shall, therefore, touch upon only a few salient features of the current economic situation.

The overall growth in national income in 1984-85 is anticipated to be of the order of 4 per cent on top of 7.40 per cent recorded in the previous year. Food production in 1983-84 turned out to be even better than what was anticipated at this time last year. Output of foodgrains reached 151.50 million ton from the level of about 130 million ton in 1982-83. Agricultural growth in 1983-84 was 13.60 per cent. In 1984-85 food production is likely to be around the record level achieved in the previous year. Industrial production also recovered during the year and, according to present indications, it may show a growth rate of about 7 per cent in 1984-85. For the Sixth Plan as a whole, however, the growth rate in industry is likely to average about 6 per cent, which is below the Plan target.

The major infrastructure sectors performed reasonably well in 1984-85. Power generation during the period April-December 1984 was 13.50 per cent higher than in the same period of the previous year, as compared with an increase of 7.6 per cent in 1983-84, Coal production increased by 6.90 per cent during April-December 1984, compared with 5.80 per cent in 1983-84. Freight movement by rail, which had stagnated in 1983-84 picked up in the current year with a modest growth of 3.20 per cent in the first nine months.

Our balance of payments situation during the year was comfortable with a net accretion in reserves of about Rs. 547 crore upto the end of January 1985. Although a part of the increase in rupee terms is because of the strengthening of the U.S. dollar, it is heartening that the improvement in the balance of payments situation witnessed in 1983-84 was sustained during the current year. Trade data, available upto November, 1984, show an increase in exports by 23 per cent and that in imports by 14 per cent over the corresponding period of the previous year. Trade deficit, on provisional basis, is estimated at Rs. 3,016 crore in the current year up to November as compared with Rs. 3,080 crore in the previous year. It will be recalled that the Government had voluntarily terminated the International Monetary Fund arrangement with effect from 1 May, 1984 after drawing only Special Drawing Rights 3.90 billion out of Special Drawing Rights 5 billion available under the loan arrangement. That we have been able to do so is a testimony to our sound financial management during a period when the external environment has been highly unfavourable.

The rate of inflation which was causing concern towards the end of the last year, could be effectively contained by the implementation of various anti-inflationary measures, including curbs on expenditure, coupled with an imaginative supply management and timely imports. We also, of course, had the benefit of two successive good crops. Thus, the annual rate of inflation in wholesale prices on 23 February 1985 was 5.20 per cent as compared with 10.0 per cent at the same time last year. The consumer price index has also shown an increase of only 4.40 per cent in January 1985 over the level 12 months ago as compared with an increase of 13.70 per cent in the corresponding period of the previous year.

On the whole, therefore, the economy is functioning well. That the country has been able to make all this progress within a democratic framework is no mean achievement. In a country where a large proportion of the population is below the poverty line, to have raised the necessary resources for its development without material external help and yet to have preserved the ballot-box is a tribute to the sagacity of the political leadership of the country.

However, we should not be lulled into a false sense of complacency as the task ahead is arduous. I would not like to share with the hon'ble member my perception of the challenges that we face and the Government's response to meeting them.

As we enter the Seventh Plan, the resource constraint has become acute, both at the Centre and the States. The basic problem is that our non-Plan expenditure has been increasing at a rate substantially faster than the growth of current revenues. As a result, budgetary resources for the Plan have been severely eroded. Defence, interest payments, and food and fertiliser subsidies now account for nearly 70 per cent of the non-Plan revenue expenditure of the Centre. A sizable part of the remaining 30 per cent of such expenditure is accounted for by essential maintenance, social and community services, and grants to States. Further, the increase in non-Plan expenditures of the States has meant larger transfers to States on this account.

In the past few years, we have been able to finance large increases in the annual Plan largely through borrowings, both external and internal. However, this cannot go on indefinitely. The process of pruning budgetary expenditure at the Centre and at the States, however painful, must begin so that the necessary adjustment can take place over a period of time.

The public sector is vital for faster industrialisation, balanced regional development, and prevention of concentration of wealth and economic power. Over the years, the public sector has grown rapidly, and an important priority now is to ensure that there is sufficient internal generation of resources for its future growth. Given our resource constraint, increasing levels of investments in the public sector are feasible only through better utilisation of existing capacity and higher return on past investments. The Seventh Plan will give particular attention to this aspect.

The recent improvement in the balance of payments is gratifying. However, this is an area where there can be no room for complacency. Some of the factors that have worked in our favour in the Sixth Plan will not operate with the same vigour in the Seventh Plan. Oil production, which had increased by about 18 million ton during the last five years, may not increase at the same rate in the future. Repayments of the International Monetary Fund loan and external commercial borrowings would also increase sharply.

Recent developments in the world economy have not only reduced the availability of external resources for development, but have also made their terms distinctly harder. The alternative source of external commercial borrowing is expensive. The room for manoeuvre in terms of increasing the surplus on account of invisible is also limited. There can be little doubt that if we have to reconcile a manageable balance of payments situation with a tolerable debt profile, export earnings would have to finance a larger and larger proportion of our imports so that the deficit in our balance of payments is reduced. In the context of the need to conserve scarce foreign exchange, it would be desirable to increase the domestic production of importables wherever we have under-utilized capacities. It is necessary also to stress efficient import substitution, in an economic sense, rather than the physical sense, so that considerations relating to cost and efficiency of import substitution are incorporated in the frame-work of policies.

Agricultural and rural development is at the centre of our planning. Control of inflation, reduction in poverty levels, promotion of employment, and improvement in our balance of payments are goals which are linked with our success in agriculture. Our past record has been good, which underscores the soundness of our agricultural strategy involving structural changes in rural economic relations, greater application of new technology and fertilisers and increase in the irrigated area. But, much more remains to be done on each count. We have to tackle the problem of increasing yields in different regions, particularly in respect of paddy. We also have to pay special attention to increasing domestic output of oilseeds through more intensive cultivation of existing varieties and development of new ones. Import of edible oils is a major drain on our foreign exchange resources, and higher domestic production will benefit the economy in several ways.

It is the policy of the Government to provide remunerative prices to our farmers. The price support operations are already functioning well in respect of certain major agricultural commodities, like wheat and rice. The Government will, over a period of time, extend effective price support operations to other important crops also, particularly oilseeds and pulses.

A crop failure, in the event of a drought or flood, can have disastrous effect on the livelihood of our farmers and their families. The Government has, therefore, decided to introduce a comprehensive scheme of crop insurance. Henceforth, there will be a built-in insurance cover for all crop loans. The insurance cover will be provided upto 150 per cent of the crop loan. To begin with, the scheme will be extended to wheat, paddy, oilseeds and pulses. The insurance charges will be low. The marginal and small farmers will be subsidised to the extent of two-thirds of the insurance charges by Central and State Governments on a matching basis. Details of the scheme, which are being worked out, will be announced separately.

The Integrated Rural Development Programme, the National Rural Employment Programme, the Rural Landless Employment Guarantee Programme for providing self-employment opportunities to the educated unemployed, have helped to reduce the incidence of poverty and have contributed to increasing the employment opportunities. Government is committed to further strengthen and improve the performance of these special programmes. The generation of adequate employment opportunities is at the heart of our development efforts. Measures being taken now to stimulate the economy will have an important beneficial impact on the employment situation.

Government proposes to introduce a Social Security Scheme to cover the risk of death by accident in respect of earning members of poor families comprising landless labourers, small and marginal farmers, traditional craftsmen and others not covered by any insurance scheme or workmen's compensation arrangements. Under this scheme, a sum of Rs. 3000/- will be paid to the dependent of the deceased, who dies as a result of an accident. The scheme will, to begin with be introduced in

100 districts in the country, selected in consultation with the States. I hope all sections of the House will welcome this measure which will cover the needs of the poorest families in their moment of utter deprivation.

I am glad to inform the House that the target of priority sector advances, including advances for agriculture and small scale industry, which was fixed at 40 per cent by end of 1984-85, has already been exceeded by public sector banks. This is a major achievement in view of the fact that advances to priority sectors were less than 15 per cent in 1969, when the banks were nationalised. A problem that we now face is the slow pace of recovery of past loans. Hon'ble members will appreciate that it is not possible for the credit system to fulfil the task assigned to it unless performance in repayment of past loans improves.

An important task for the future is to accelerate industrial growth. At the same time, we must ensure that the pattern of industrial growth conforms to our socio-economic priorities. Our domestic market is large, the structure of industry is already diversified, and the base of entrepreneurship has grown. These are important strengths. We must now aim at reducing costs and prices and improve the competitiveness of our industry. This process calls for structural changes in the economy and will entail some costs which we should be prepared to pay. Unproductive investment of the past should not stifle the productive forces of the future. Indian industry must also become more self-reliant in financing investment. Regulations must facilitate growth and respond to the changing external and technological environment. In particular, it is necessary to bring about closer co-ordination among fiscal, industrial and trade policies.

A multipronged programme of action is necessary to meet the challenges of the future. As our Prime Minister, Shri Rajiv Gandhi, observed recently in the Parliament:

> "The challenges before our country are many. We have to modernise India. We have to change the thinking of the people of India to look ahead into the future and not to keep on dwelling on the past. We have to make India self-reliant in every important sphere. We have to create a dynamic country that is equal to any other country in the world."

In this task, our greatest asset is the human resource, and crucial to the success of all our policies is the development of an effective programme for best utilisation of this resource through renewed emphasis on education, environment, and the application of science and technology.

I now propose to announce a few decisions which are designed to reduce rigidities and improve the environment for industrial growth. It is proposed to notify a list of industries for delicensing so that procedural delays are cut to a minimum in areas where we want additional capacity. In order to reflect the considerable increase in the cost and the economic size of projects that has taken place since the asset limit for MRTP companies was fixed in 1969, this limit is being revised to Rs. 100 crore. The small-scale sector has played a vital role in our economy and the Government proposes to take further steps to promote its growth. The ceiling of investment in plant and machinery, which was fixed in 1980 is being raised from Rs. 20 lakh to Rs. 35 lakh. The ceiling in respect of ancillaries is being raised from the present level of Rs. 25 lakh to Rs. 45 lakh. Later in my speech, I shall be announcing certain fiscal measures to facilitate development of this sector.

On the financial side, I propose to facilitate the mobilisation of resources from the market by the corporate sector and to reduce its dependence on public financial institutions. With a view to improving the marketability or convertible debentures of non-MRTP non-FERA companies, the maximum interest payable by them on such issues is being raised from 13.50 per cent to 15 per cent. The Securities Contracts (Regulation) Act, 1956, is being amended to ensure free transfer of securities of listed public limited companies. This measure will particularly benefit small investors spread all over the country. In order to offer wide choice to investors, certain changes are being made in respect of listing requirements of closely-held companies. Such companies will be permitted to enlist by offering 40 per cent of their equity capital in two stages over a period of 3 years and capitalise a larger portion of their free reserves before going to the public. In order to diversify the market, a new instrument, namely, Convertible Cumulative Preference Share is being introduced. Several measures to reduce the prevailing high cost of public issues are being announced separately.

The corporate sector should also be permitted to play a legitimate role within defined norms in the functioning of our democracy. It is proposed to introduce the necessary legislation during this session to allow companies to make contribution to political parties from out of their profits.

The Government proposes to introduce a special legislation for sick units. It is proposed to set up a Board for Financial and Industrial Reconstruction, which will provide a speedy mechanism for amalgamation, mergers and devise such other solutions as may be necessary to deal with the problem of sick units in the large and medium sector. The onus for reporting sickness will be laid on the management of the units themselves, who will be required to seek a fresh mandate from their shareholders after 50 per cent of the net worth of the company has been eroded. When the company loses its entire net worth, the existing management and the owners will not have any further role to play in running the affairs of the unit. It is also proposed that those who are deemed to be responsible for mismanaging the unit will not have access to assistance from financial institutions even in new ventures. Bad managers, like bad currency, have to be kept out of circulation.

Workers are the worst victims of industrial sickness. Under the present law, however, when companies are wound up, workers' dues rank low in priority compared to secured creditors. To my mind, labour is as much a factor of production as any other and it is unjust that the workers' dues should have a lower priority. In order to rectify this situation, we have taken a decision to introduce the necessary legislation so that legitimate dues to workers rank *pari passu* with secured creditors such as banks in the event of closure of the Company. Such dues will rank above even the dues to Government. The Government is also considering the introduction of a scheme of stock options to the employees and workers of companies to encourage their participation in management.

At present, under the Payment of Bonus Act, 1965 where the salary or wage of an employee exceeds Rs. 750 per month, the bonus payable to such employee is calculated as if his salary or wage was Rs. 750 per month. It is now proposed to raise this limit to Rs. 1,600 per month, the eligibility criteria would remain the same.

In addition to the changes being made in the overall policy framework, the Government is also undertaking a review of certain specific industries with a view to correcting structural imbalances. Textile industry has a vital place in our economy in terms of its contribution to output, exports and employment. This industry is, however, passing through a very difficult period and the need for structural change is pressing. I shall be proposing certain changes in the fiscal structure of cotton textile industry. The preparation of a new textile policy is well under way.

The electronics industry is truly the industry of our times. In order to accelerate the growth of this industry in November 1984, the Government announced a new package of measures for computers. Rates of duty on imports of components and raw materials were reduced drastically and, in order to protect the interests of end-users, import policy for computers was also liberalised. It has now been decided to extend this approach to other items of manufacture in electronics. Details of the new policy will be announced separately by the Department of Electronics.

I shall now turn to the Revised Estimates for 1984-85 and the Budget Estimates for 1985-86.

Revised Estimates for 1984-85

There were several unanticipated developments on the budgetary front during the year. On the Plan side, higher budgetary provisions had to be provided for the Central and State Plans. On the non-Plan side, there was substantial increase in expenditure on defence, food and fertiliser subsidies, and payment of dearness allowance to Government employees. Larger assistance was given to States affected by floods and cyclones, and medium term loan has been provided to certain States facing acute financial problems. On the receipts side, there was some increase in tax revenues and a significant step-up in small savings collections.

The budgetary support for the Central Plan is now estimated to be higher at Rs. 11,751 crore as against the original outlay of Rs. 11,420 crore. The revised Central Plan outlay is estimated to be Rs. 17,495 crore as against the Budget Estimate of Rs. 17,351 crore. Within this overall amount, there were certain changes in the sectoral outlays. The provision for self-employment scheme for educated unemployed youth was increased by Rs. 124 crore and the National Bank for Agriculture and Rural Development was provided an additional amount of Rs. 152 crore against disbursements under external aid programmes. Additional provisions were also made for Visakhapatnam Steel Plant, mines, non-conventional energy sources, atomic energy, electronics, food storage godowns and certain other sectors. The Revised Estimates of the Central Plan outlay in some areas, notably, petroleum, coal, and fertilisers were, however, lower. The provision made in the Budget for Central assistance for State Plans has also been stepped up by Rs. 153 crore.

On the non-Plan side, during the year, nine instalments of additional dearness allowance including relief to pensioners, were sanctioned to Central Government employees. These are estimated to cost about Rs. 715 crore in the current year against the lump sum provision of Rs. 300 crore made in the Budget. *Ad hoc* bonus sanctioned to Government employees in the current year would cost Rs. 61 crore.

Food subsidy in the current year will increase from Rs. 850 crore to Rs. 1,100 crore. This is mainly due to increase in procurement price of paddy, lower realisation from sale of wheat and sharp increase in stocks of foodgrains. The subsidy on domestic fertilisers will go up from Rs. 930 crore to Rs. 1,200 crore. The subsidy on imported fertilisers will increase from Rs. 150 crore to Rs. 632 crore owing to an increase in the cost and volume of imports.

Assistance to States affected by floods and cyclones was stepped up by Rs. 130 crore. Consequent on larger small savings collections, the share payable to States was also increased by Rs. 440 crore. The provision for loans to States for purchase of agricultural inputs was stepped up by Rs. 60 crore. In addition, special medium-term loan of Rs. 440 crore has also been provided to States which faced serious financial difficulties during the year.

Defence expenditure in the current year is estimated at Rs. 7,175 crore against the Budget Estimates of Rs. 6,800 crore. Interest payments are expected to be Rs. 390 crore higher than the original estimate of Rs. 5,600 crore.

Certain public sector enterprises have suffered large cash losses and additional budgetary support had to be provided to them. Taking into account these and other variations, including national provisions for conversion of equity in certain public undertakings into loans, assistance towards their interest dues to Government and additional subscription to International Monetary Fund, the total non-Plan expenditure is estimated at Rs. 29,740 crore against the Budget Estimates of Rs. 26,066 crore.

Under non-tax revenue, the dividend from Railways is likely to be less by Rs. 211 crore. The profit from sale of edible oil will also be less due to high international prices. Mainly due to additional budgetary support provided to certain public undertakings and improvements in the finances of some others, interest receipts from public sector undertakings and others are, however, estimated to be Rs. 439 crore higher than the Budget Estimates.

Under capital receipts, I am glad to report that small savings collections during the year are now expected to reach Rs. 3,300 crore against the Budget Estimate of Rs. 2,400 crore. Receipts from special deposits of non-government provident fund are estimated to be higher by Rs. 75 crore and deposits by public sector undertakings of their surplus funds by Rs. 200 crore. Corresponding to the increase in expenditure, receipts from special securities to International Monetary Fund will also go up by Rs. 149 crore. Taking into account the additional recoveries from State Governments and other variations, capital receipts in the current year are estimated at Rs. 17,778 crore compared with the Budget Estimate of Rs. 16,757 crore.

Total receipts are thus estimated to go up from Rs. 40,763 crore to Rs. 42,710 crore. Total expenditure is estimated to go up from Rs. 42,536 crore to Rs. 46,695 crore. This will leave a budgetary deficit of Rs. 3,985 crore as compared with Rs. 1,773 crore in the Budget Estimates.

The deficit is higher than what I would have ideally liked. I am glad that this deficit has been absorbed by the economy without any adverse effects on prices, thanks to the favourable agricultural situation. However, as a necessary caution, in the coming year we would need to curtail the size of the deficit, though it has been said that, “Anyone who lives within his means suffers from lack of imagination”.....

Not that I lack imagination, but I do not propose to let it run riot.

Budget Estimates for 1985-86

The current year marks the end of the Sixth Plan, it is estimated that public sector Plan expenditure during the Sixth Plan period will be of the order of Rs. 1,10,000 crore as against the originally envisaged outlay of Rs. 97,500 crore. In view of the price rise during the period, outlays in real terms will, however, be lower than in the original Plan. Nevertheless, it is gratifying that the target of 5.20 per cent for the annual growth rate of the economy would have been met. Foodgrains output will be close to the Plan target, and crude oil production will significantly exceed it. In power, additional installed capacity has been below Plan target; nevertheless, we would have added nearly 50 per cent to the existing installed capacity at the beginning of the Plan. In irrigation, additions to potential would be around 11.50 million hectares as against the Plan target of 13.70 million hectares.

As we enter the Seventh Plan, the main task is to consolidate the gains of the past and give a new thrust to the movement for increasing productivity, while at the same time ensuring financial and monetary stability. After taking into account higher devolution and grants to States arising out of the implementation of the recommendations of the Finance Commission, and essential non-Plan expenditure on account of defence and subsidies, the budgetary resources available for the Plan in 1985-86 are far short of our overall requirements.

In allocating these resources, I was particularly guided by the need to provide greater Central Assistance for State Plans as otherwise many States would not be in a position even to protect their ongoing projects in crucial sectors. When the States’ Plan for 1984-85 were approved, it was expected that the States’ own budgetary resources as also contributions from their public sector undertakings would be Rs. 5,740 crore. The latest assessment indicates deterioration of the order of Rs. 2,300 crore in the transactions of the current year.

Central Assistance to State Plans in 1985-86 is being increased to about Rs. 6,000 crore as compared with Rs. 4,313 crore in 1984-85 which is an increase of 39 per cent as compared with an increase of

13 per cent provided last year. The States have also been authorised to go in for higher market borrowings to the tune of Rs. 1,600 crore, which is an increase of 20 per cent over 1984-85. This order of increase in Central Assistance and market borrowings, on top of other transfers, has made a heavy draft on Centre's own resources for the Plan.

In view of elections in several States, the annual Plans of the States have not yet been finalised. It is expected that the process of finalising the State Plans will be completed in the next few weeks. In view of the sharp increase in central transfers on account of plan as well as Finance Commission's recommendations, Centre's resources are already overstretched, and it will not be possible for the Centre to bear the additional burden of overdrafts by the States. For, ultimately, it is the common man who pays. Despite a large step-up in Central Assistance, market borrowings and negotiated loans, a reasonable Plan outlay for the States would be possible only if they make an earnest effort at mobilising a higher level of resources and improving the working of States enterprises.

Plan outlays of Union territories have been fixed at Rs. 640 crore as against Rs. 558 crore in 1984-85. Central Budget provides Rs. 578 crore and the balance of Rs. 62 crore will be met through additional resource mobilisation measures of the Union territories during the course of the year.

The Central Plan for 1985-86 has been fixed at Rs. 18,500 crore as compared with Rs. 17,351 crore in 1984-85. In view of the resource constraint, while determining sectoral priorities, I have considered it prudent to complete projects already under implementation rather than taking on new starts. It is also my endeavour to provide more for projects which are in an advanced stage of execution and which can be commissioned more speedily so that the benefits can start flowing to the economy as early as possible. Earlier in my speech, I referred to the excellent performance of the agricultural sector. In order to augment the efforts of State Governments in accelerating investment in agriculture, in the Central Plan an outlay of Rs. 790 crore has been provided for the Department of Agriculture and Cooperation and Department of Agricultural Research and Education. A provision of Rs. 165 crore has been made for the new fertiliser factories at Guna and Aonla which are to be set up based on Bombay High Gas to be transported through the Hazira-Bijapur-Jagdishpur pipeline.

A total provision of Rs. 932 crore has been made for Rural Development in the Central Plan. Pending finalisation of the State Plans, the provisions for Integrated Rural Development Programme and National

Rural Employment Programme have been kept at more or less the same level as in the current year and will be enhanced later, if required. Honourable members should be glad to know that projects worth more than Rs. 800 crore have been sanctioned for implementation under the Rural Landless Employment Guarantee Programme. This programme will have an outlay of Rs. 400 crore in 1985-86.

Honourable members are well aware of the Government's emphasis on the restructuring of the educational system. We are in the process of evolving a new National Policy on Education. The Government is committed to making the education of girls free all over the country up to the higher secondary level. A total provision of Rs. 221 crore has been made for education in the Central Sector including provisions for these new initiatives.

Consistent with our goal to achieve a net reproduction rate of unity by the year 2000 A.D., the Government would go in for an imaginative family planning programme on voluntary basis. Combined with effective immunization programme to reduce the mortality and morbidity rate among children. Family Welfare programmes are of great significance in the context of overall development. An outlay of Rs. 500 crore has been provided for Family Welfare programmes. In order to effectively use the results of medical research outlay for Indian Council of Medical Research has been increased to Rs. 30 crore.

During the Sixth Plan, the Government launched the Accelerated Rural Water Supply Programme to assist the State and Union territories in providing drinking water supply to villages. Members would be happy to know that the allocation during the Sixth Plan period on this programme would exceed Rs. 925 crore against the original outlay of Rs. 600 crore and that this has enabled the States to cover about two lakh problem villages during the Plan period.

The potential of Indian science and technology for contributing to modernisation and development is immense. An outlay of Rs. 1,068 crore is being provided for Ministries of Science and Technology and Environment and Departments like Atomic Energy, Space, Ocean Development and Electronics.

On the energy front, the Government attaches great importance to the need for a gradual transition from the present dependence on oil to coal and electricity in the medium term. Honourable members would be happy to note that additional power generating capacity to the extent of 14,000 M.W. would have been added by the end of the Sixth Plan period. This would mean a near 50 per cent increase over the capacity of 28,448 M.W. at the commencement of the Plan. In the Central Sector alone, additional capacity to the extent of 3,350 M.W. has been added during the Sixth Plan. For 1985-86, the Department of Power has been provided an outlay of Rs. 2,090 crore against Rs. 1,446 crore during 1984-85.

Coal production of 147.5 million ton is expected to be achieved in 1984-85. This is to be stepped up to 158.50 million ton in 1985-86. For the Department of Coal, an outlay of Rs. 1,102 crore has been provided.

Honourable members are well aware of the quantum jump in the field of crude production, which would be 29.40 million ton by the end of this year compared to 11.40 million ton at the beginning of the Sixth Plan. This has become possible due to the Accelerated Production Programme initiated in 1982-83, which has raised the annual production from Bombay High to 20.30 million ton from a level of 4.20 million ton in 1979-80. For the Department of Petroleum, an outlay of Rs. 3,261 crore is being provided. A provision of Rs. 100 crore has been made for the Gas Authority of India, a newly created organisation for the construction of gas pipe-lines.

The Government's concern for preservation of our forests is reflected in the creation of a separate Department of Forest and Wild Life. This Department will have an outlay of around Rs. 54 crore, including Rs. 26 crore, for social forestry and creation of rural fuel plantation.

The outlay for the Department of Environment is about Rs. 36 crore, which includes Rs. 10 crore for initiating action on the project of Prevention of Pollution of the Ganga. The other major environmental programmes aim at conserving biological diversity, pollution monitoring, eco-development in critically degraded or fragile areas and research and development, besides creation of advanced centres for priority environmental studies.

Though a substantial portion has been transferred to the States as committed non-Plan liability, the Central Plan provides for Rs. 207 crore for the various programmes benefiting the Scheduled Castes and Scheduled Tribes. Centre's contribution to the Special Component Plan for Scheduled Castes has stepped up to Rs. 165 crore. In order to rehabilitate the refugees from Sri Lanka, a provision of about Rs. 9 crore is being made.

The Government approved a scheme for expansion of TV network in the country in July, 1983. This Plan envisaged setting up of large number of High Power and Low Power transmitters in the country so as to make the TV programmes available to 70 per cent of the country's population.

The number of transmitters would go up to 180 by 31 March 1985. Outlay for 1985-86 has been fixed at Rs. 110 crore for information and broadcasting.

The priorities outlined in Annual Plan for 1985-86 will further accelerate the implementation of the 20-point programme. The total amount allocated to the programme in the Central Plan is Rs. 4,900 crore for the next year as against Rs. 4,141 crore provided for in the current year, representing an increase of 18.30 per cent.

I must, however, emphasize that proper implementation of the Plan requires not only financial allocations but also better project formulation and efficient management. It is proposed to make certain changes in the administrative procedures to facilitate quicker plan implementation. Before an investment decision is taken, administrative Ministries will be required to ensure that projects have been fully worked out and the executive authorities have taken the necessary preparatory action for implementation. It has, therefore, been decided to provide sufficient funding for preparation of detailed feasibility reports before budgetary allocations are made for projects. Steps are also being considered to advance the finalisation of the annual Plan and Vote on Account to facilitate communication of funds well before the commencement of the new financial year. These measures would result in even implementation of projects throughout the year and avoid the rush of expenditure towards the close of the year.

Non-Plan expenditure has been kept to the minimum. Next year's Budget provides larger transfer to State in terms of the recommendations of the Eighth Finance Commission. Grants to States covered by the Finance Commission's recommendations will go up from Rs. 518 crore in the Budget Estimates for 1984-85 to Rs. 1,215 crore in the Budget Estimates for the next year.

Defence expenditure next year is placed at Rs. 7,686 crore (excluding defence pensions). Interest payments are estimated at Rs. 7,075 crore taking into account the increase in the volume of borrowings and the cost of borrowing. A provision of Rs. 1,100 crore has been made for food subsidy, Rs. 1,200 crore for subsidy on domestic fertilisers and Rs. 601 crore for subsidy on imported fertilisers. Export promotion and market development has been allocated Rs. 530 crore. Consequent on the separation of Postal services from the Telecommunications services, the deficit of Postal services estimated at Rs. 187 crore will be borne by the civil estimates in the Budget of next year. Following larger small savings collections, loans to State against these collections are placed at Rs. 2,375 crore.

A lump sum of Rs. 300 crore has been provided in 1985-86 for payment of additional instalments of dearness allowance, pensionary relief, etc., to Central Government employees. Provision has also been made for committed expenditure on Plan schemes completed in Sixth Plan period. Including these and other provisions, total non-Plan expenditure in 1985-86 is estimated at Rs. 32,786 crore against Rs. 29,740 crore in Revised Estimates for the current year.

At this point, I would like to refer to a matter concerning the Central Government employees. In the Budget for 1983-84 my distinguished predecessor had announced the appointment of the Fourth Central Pay Commission. The Commission which was appointed in July 1983 is still at work. Meanwhile, a very large number of Government employees have been retiring without the benefit of a higher pension which was anticipated as a result of the recommendations of the Commission. At present, pension is calculated on the pay and a part of dearness allowance sanction up to the average Consumer Price Index level of 320. The last Instalment of dearness allowance has been sanctioned with reference to the average Consumer Price Index level of 568. I now propose, as a measure of relief to the Central Government employees retiring on or after 31 March 1985 to treat the entire dearness allowance sanctioned up to the average consumer price index level of 568 as pay for the purpose of retirement benefit. Simultaneously, I also propose to remove the present ceiling of Rs. 1,500 per month pension and increase the ceiling of Death-cum-Retirement Gratuity from Rs. 36,000 to Rs. 50,000. The house will agree with me that those who have devoted the best years of their lives to the service of the country are deserving of whatever support we can give them.

Coming to receipts, the gross tax revenue at existing levels of taxation is estimated at Rs. 25,514 crore compared with Rs. 23,702 crore in the current year. The States' share of taxes is estimated at Rs. 6,592 crore against Rs. 5,777 crore in the current year. Out of this increase, Rs. 487 crore are due to stepping up of States' share of basic excise duties from 40 per cent to 45 per cent from next year as recommended by the Eighth Finance Commission. The dividend from Railways will be Rs. 303 crore higher than in the current year.

Receipts from market loans are placed at Rs. 5,100 crore against Rs. 4,100 crore in the current year. Small savings collections are estimated at Rs. 3,900 crore against Rs. 3,300 crore in the current year. External assistance net of repayments is estimated at Rs. 2,510 crore compared with Rs. 2,146 crore in the current year. Taking into account these and other variations in the receipts, the total receipts in 1985-86 are estimated at Rs. 47,635 crore. These receipts take into account the effect of revision of Railways fares and freights. Total expenditure is placed at Rs. 51,295 crore. The overall budgetary gap at existing rates of taxation will, thus, be Rs. 3,660 crore.

The formulation of the Budget is an annual exercise but, to be meaningful, it has to be set in a longer time frame. Our fiscal system has served us well. However, over the years, objective conditions have changed calling for new responses. I am quite aware that it is not possible to usher in all the changes at one stroke, yet we have to initiate a process of reform which can be completed in a phased manner in a time bound frame. We will be moving towards the formulation of a long-term fiscal policy co-terminous with the Plan. I hope to initiate a debate on this after the Budget session is over.

In the area of direct taxes, an important priority is to create an environment for growth, productivity and savings. The system of direct taxation which can help in achieving these objectives will also secure better tax compliance, and will be more equitable.

Our approach to the reform of the personal income-tax is as follows: First, the rates of personal income-tax should be recast and rationalised with a view to making the structure simple and reasonable. While maintaining the progressively of the tax structure, it needs to be ensured that the combined effect of the rates of taxes on personal income and wealth are not counter-productive. Second, the exemption limit should be so fixed as to eliminate a large number of small assessments and to provide relief to low and middle income groups. Third, the tax structure should be stable. Fourth, in order to make more effective use of the administrative machinery in reducing tax evasion, the emphasis in tax assessments should shift from routine examination of a very large number of returns to a thorough scrutiny of a sample of cases. Fifth, it must be ensured that when tax evasion is detected, the penalties are swift and severe. Sixth, a tax, however, laudable in intent, should have no place in the statute book if it has outlived its utility.

The statutory rate of corporate tax in India is high, but because of various exemptions, the effective rate is significantly lower. While each exemption has a rationale, the combined effect of all these exemptions, taken together, is to erode the tax base, The present system also affects different taxpayers very differently. This cumbersome system has led to unending litigation, and has given wide discretion to those who make the accounts and those who scrutinise them.

My proposals for the current year in the area of corporate taxation are designed to introduce a directional change by discontinuing certain exemptions and rationalising the rates. For the present, I am not going all the way partly because of revenue considerations and partly because I would like to watch the response to the changes being proposed now. In order to have the benefit of the views of the honourable members, I shall also put forward a set of proposals regarding corporation tax which could be introduced in a phased manner in the next two years. I believe that an open debate on these issues is necessary so that the decisions that we take are the right ones. I propose to announce Government's decisions in this regard in my reply to the debate on the Finance Bill so that there is no uncertainty in the matter.

In respect of indirect taxes, my immediate task is to bring about changes which would help in reducing costs of investment in priority sectors, encourage the growth of the small-scale sector and remove certain other distortions. During the course of the year, I shall be giving consideration to other changes that might be required for the indirect tax system to make its full contribution to the further development of our economy.

I should make it clear that the Government is determined to pursue its socio-economic goals without fear or favour, and those who continue to indulge in tax evasion or other economic offences will do so at their peril.

Let me now come to my specific proposals. I shall first deal with the proposals in the field of direct taxes.

I propose to raise the exemption limit for personal income taxation from Rs. 15,000 to Rs. 18,000. As a result, out of about 40 lakh assessees, around 10 lakh will not have to pay any income-tax.

I also propose to restructure the rate schedule for personal incomes. After the NIL rate slab of Rs. 18,000 the rate of income-tax on the slab of Rs. 18,001 to Rs. 25,000 will be 25 per cent; on the slab of Rs. 25,001 to Rs. 50,000 the rate will be 30 per cent; on the slab of Rs. 50,001 to Rs. 1 lakh, the rate will be 40 per cent; and on the income in excess of Rs. 1 lakh, the rate will be 50 per cent. The new rate schedule will result in a reduction in tax at all levels of income. On a taxable income of Rs. 20,000 the tax relief under the new rate schedule will be 50 per cent of the income-tax at current rates; on a taxable income of Rs. 25,000, the relief will be 22 per cent; on a taxable income of Rs. 50,000 the tax relief will be 18 per cent and on an income of Rs. 1 lakh the relief will be 17 per cent. With the reduction in the tax rate slabs from eight to four, the rate schedule will also stand simplified. The rate schedule applicable to Hindu Undivided Families having one or more members with separate incomes exceeding the exemption limit is also proposed to be consequently restructured.

I also propose to discontinue the surcharge on income-tax in the case of all categories of non-corporate tax-payers.

With the proposed modifications, the maximum marginal rate of income-tax on personal incomes will stand reduced from 61.875 per cent to 50 per cent. In fact, the average rate of tax would be even lower.

The calculated loss of revenue, during the financial year 1985-86, due to the proposed rationalisation of the tax structure is Rs. 200 crore on account of income-tax and Rs. 197 crore on account of surcharge. However, taking into account the better compliance as a result of reduction of tax rates, the actual loss is estimated at Rs. 197 crore and that too in respect of surcharge. This entire loss will be to the account of the Centre.

In fulfilment of the promise made in our Election Manifesto, the scheme of compulsory deposits by income-tax payers is being abolished with effect from 1 April 1985. However, keeping in view the overall ways and means position, I propose to provide that repayments of instalments in respect of earlier deposits and payment of interest due in the financial year 1985-86 would be postponed by one year. The unpaid amount will continue to earn interest and shall be repaid in the financial year 1986-87 along with instalments due for repayment in that year I propose to introduce a separate bill for this purpose this evening.

The structure of wealth-tax has been examined by a number of high powered bodies, including the Estimates Committee and the Public Accounts Committee of Parliament. A number of suggestions have been made by them for making the system of wealth-tax more conducive to the promotion of savings and investment in the economy. The present basic exemption limit of Rs. 1,50,000 has also been considered to be inadequate in view of the rise in prices. It may be recalled that a limit of Rs. 1 lakh had been set as early as 1964. Taking these considerations into account, I propose to raise the wealth-tax exemption limit of Rs. 25,000 and to provide a nil rate slab in respect of net wealth up to Rs. 2,50,000. I also propose to restructure the wealth-tax rate schedule. Under the new rate schedule, the rate of wealth-tax on the slab of Rs. 2,50,001 to Rs. 10,00,000, will be 0.50 per cent; on the slab from Rs. 10,00,001 to Rs. 20,00,000 the rate will be 1 per cent; and on the slab over Rs. 20,00,000 the rate will be 2 per cent. The maximum marginal rate will, therefore, stand reduced from 5 per cent to 2 per cent. I also propose to restructure the rate schedule applicable to Hindu undivided families having one or more members with independent wealth exceeding the exemption limit.

The value of one house is exempt from wealth-tax up to Rs. 2 lakh. A taxpayer is also entitled to exemption from wealth-tax in respect of specified assets up to an aggregate value of Rs. 2,65,000. An additional exemption of Rs. 35,000 is allowed in respect of units of the Unit Trust of India and deposit scheme, I propose to replace the separate exemption limits, aggregating Rs. 5 lakh, by a consolidated exemption limit of Rs. 5 lakh in respect of all these assets.

My proposals relating to wealth tax would not result in any loss during the financial year 1985-86. Although the estimated loss during the financial year 1986-87 is Rs. 70 crore, I expect that due to improved compliance, there would be no loss of revenue over a period.

As both wealth-tax and estate duty laws apply to the property of a person, the former applying to his property before death and the latter after his death, the existence of two separate laws with reference to the same property amounts to procedural harassment to the taxpayers and the heirs of the deceased who have to comply with the provisions of two different laws. Having considered the relative merits of the two taxes, I am of the view that estate duty has not achieved the twin objectives with which it was introduced, namely, to reduce unequal distribution of wealth and assist the States in financing their development schemes. While the yield from estate duty is only about Rs. 20 crore, its cost of administration is relatively high. I, therefore, propose to abolish the levy of estate duty in respect of estates passing on deaths occurring on or after 16 March 1985. I come forward in due course with suitable legislation for this purpose.

Earlier in my speech, I referred to certain measures that the Government proposes to take for the benefit of industrial and other workers. These include the proposals to give workers' dues the same priority as secured creditors in the event of closure of companies, the proposed increase in the bonus limit, and the introduction of a stock option scheme for employees and workers. With the raising of the exemption limit for personal taxation most of the industrial workers will not be required to pay any income-tax. As a measure of further relief to them, I propose to raise the monetary ceiling on the exempt amount of retrenchment compensation received by them from Rs. 20,000 to Rs. 50,000. I also propose to provide that retrenchment compensation paid under schemes approved by the Central Government will be exempt from tax in full. I may also inform honourable members that the Government is giving consideration to the formulation of a scheme for encouraging industry to involve workers in management and, if necessary, suitable fiscal incentives will be provided for this purpose.

Under a provision made by the Taxation Laws (Amendment) Act, 1984, salaried taxpayers are chargeable to tax on the perquisites represented by interest free loans or loans at concessional rates at interest provided by their employers for certain purposes. As a measure of further relief to salaried taxpayers. I propose to repeal this provision.

With a view to providing further encouragement for indigenous scientific research, I propose to provide that lump sum consideration received by scientists for the know-how developed by them would be spread over a period of three years and charged to tax accordingly. I also propose to provide that industry may write off the lump sum consideration paid for acquiring know-how in six annual instalments. In cases where the know-how has been developed in Government laboratories, universities, laboratories owned by public sector companies and other recognised institutions, the write off would be permitted over a period of three years.

Authors of University level text books, dictionaries, etc., in Hindi and other Indian languages are entitled to a deduction of 25 per cent of the income by way of royalty, copyright fees, etc., derived by them in respect of such books. This concession is coming to an end during the current assessment year. In order to encourage the writing of such books, I propose to continue this concession for another five years.

I propose to place donations to the Indira Gandhi Memorial Trust at par with donations to other funds of national importance. I also propose to provide that donations to the Prime Minister's National Relief Fund will qualify for 100 per cent deduction as against the deduction of only 50 per cent allowed at present.

In the context of the need to bring tax evaders to book, I see little justification for providing immunity from the penal provisions to those who make a disclosure only after incriminating books of account and assets in their possession have been seized by the Income-tax Department. I, therefore, propose to remove the provisions made by the Taxation Laws (Amendment) Act, 1984 for the grant of immunity from penal provisions in such cases.

I also propose to enter into a dialogue with State Governments and other authorities with a view to setting up special courts empowered to try tax evaders in respect of criminal proceedings initiated against them.

As a measure for countering tax avoidance, I propose to plug an existing lacuna in Section 167A of the Income-tax Act by providing that an association of persons shall be charged to income-tax at the maximum marginal rate if the individual shares of the members, in even a part of its income, are indeterminate or unknown. Under a provision by the

Finance Act, 1983, business profits derived by charitable and religious trusts are not exempt from income-tax, except in certain cases. Conformably with this provision, I propose to provide that exemption from wealth-tax will also not be available in respect of business assets of such trusts.

I shall now deal with the proposals relating to corporation tax.

For the financial year 1985-86, I propose to reduce the basic rate of income-tax applicable to companies by 5 percentage points. At present, closely-held industrial companies are charged to tax at a lower rate than that applicable to other closely-held companies. I propose to prescribe a common rate for all closely-held companies, except trading and investment companies. In the result, the basic rate of Income-tax in the case of certain categories of closely-held companies will stand reduced by 10 percentage points, from 65 per cent to 55 per cent. This will particularly benefit companies carrying on employment-oriented activities, such as, consultancy and advertising services and services for promotion of tourism.

The proposed reduction in tax rates, both for the corporate and non-corporate sectors, would have to go hand-in-hand with the discontinuance of certain concessions. Under a provision made in 1980, additional depreciation is granted in respect of machinery and plant installed during the five-year period, from 1 April 1980 to 31 March 1985. In the context of the proposed reduction in the rates of tax and the increase in the general rate of depreciation allowance, from 10 per cent to 15 per cent, with effect from the current assessment year, I do not consider it necessary to continue the grant of additional depreciation in respect of machinery and plant installed after 31 March 1985.

Under an existing provision, expenditure incurred by companies and co-operative societies on approved programmes of rural development is deducted in computing their taxable profits. While the objective is laudable, a fiscal concession is not the right instrument to achieve this objective. I, therefore, propose to discontinue this concession, except in relation to programmes which have been approved by the prescribed authority before 17 March 1985. The tax exemption allowed in respect of profits derived from the publication of books, which would lapse with the assessment year 1985-86, is not proposed to be continued, I also propose to withdraw the tax concession in respect of dividends received by Indian companies from certain foreign companies.

The tax holiday concession is at present available in respect of industrial undertakings that go into production before 1 April 1985; hotels which start functioning and ships which are brought into use before that date are also eligible for this concession. I propose to extend this concession for a further period of 5 years.

It is necessary to provide our exporters with requisite resources for modernisation, technological upgradation, product development and other activities with a view to raising their efficiency and productivity, not only in the export sector but also in the economy as a whole. In view of these considerations, I propose to replace the tax concession under Section 80HHC of the Income-tax Act by a new provision. Under the new provision, exporters will be entitled to a deduction of an amount, not exceeding 50 per cent of their export profits, carried to a reserve account to be utilised for the purposes of their business.

To facilitate the mobilisation of internal resources by the tea industry for purposes of investment in new machinery, fresh planting and replanting, etc. I propose to provide that companies engaged in the business of growing and manufacturing tea in India would be entitled to a deduction up to 20 per cent of their profits deposited in a special account with the National Bank for Agriculture and Rural Development. Withdrawals from this account would be allowed only for specified purposes in accordance with scheme to be approved by the Tea Board.

With a view to leaving larger funds with banks for meeting their increasing social commitments, I propose to discontinue interest-tax in relation to interest accruing after 31 March 1985. I also propose to provide that banks may make tax deductible provisions for their bad and doubtful debts up to an amount equal to 10 per cent of the profits or 2 per cent of the aggregate average advances made by their rural branches, whichever is higher.

I also propose to discontinue the provisions relating to disallowance of 20 per cent of the expenditure, in excess of Rs. 1,00,000 on advertisement, publicity and sales promotion; running and maintenance of aircraft and motor cars; and payments made to hotels. The provision relating to the disallowance of 15 per cent of the interest paid by non-banking non-financial companies on the public deposits raised by them is also proposed to be discontinued.

Taking into account the effect of withdrawal of some of the existing concessions and expected collections on account of the recent Supreme Court judgement regarding Section 80J of the Income-tax Act, loss of revenue in 1985-86 due to my proposals in respect relief in tax on corporate sector will be more than offset.

The other modifications proposed by me in the sphere of direct taxes are of relatively minor importance. I would not like to take the time of the House by elaborating them at this stage.

I will now come to my proposals relating to the phased reform of corporation tax to which I made a reference in the earlier part of my speech.

The scheme envisages that next year the basic rate of income-tax in the case of all categories of companies would be further reduced by 5 percentage points. In the third year, I propose to discontinue the surcharge on income-tax payable by companies and to abolish surtax. At the same time, I propose to discontinue the grant of investment allowance in a phased manner during the next two years. While withdrawal of investment allowance may have an adverse effect on high-growth capital intensive industries, the general reduction in corporation tax would lead to higher retained profits which would benefit all companies. The alternative to the above proposal is to continue the investment allowance with no further reduction in the rates of corporation tax and surcharge. I shall be grateful for the comments of the hon'ble members.

I now turn to my proposals on the indirect taxes.

Taking customs duties first, my principal proposal is with regard to crude petroleum. Hon'ble members will recall that in the last year's Budget, auxiliary duty on crude petroleum was raised from Rs. 9.50 to Rs. 100 per ton. I propose to increase it to Rs. 300 per ton. I also propose to levy on crude petroleum a basic customs duty of 10 per cent *ad valorem*. The revenue yield from these proposals is estimated to be Rs. 620 crore in a full year. Taking this and other factors into account, there will be an increase in the price of POL products. In other cases, I propose to continue the auxiliary duty at the existing rates up to the 31 March 1986.

As a measure of protection to the indigenous bearings industry, I propose to increase the basic customs duty on ball and roller bearings by 50 per cent of the existing rates. This will result in a revenue gain of about Rs. 20 crore in a year.

Over the years, the rate of duty applicable to project imports has gone up and reached the level of 65 per cent. With a view to bringing down capital costs, I propose to reduce the present customs duty of 65 per cent applicable to project imports in general to 45 per cent *ad valorem* and to provide for a lower rate of 25 per cent to imports for power projects and total exemption from duty for equipment for fertiliser projects. I propose to extend the concessional project imports rate of 45 per cent *ad valorem* to the public telephone exchange network project. These measures will totally cost the Exchequer Rs. 290 crore in a year.

Honourable members will recall that in the last year's Budget, customs duty on imported wood pulp and wood chips for the paper industry was reduced to 30 per cent and nil, respectively. As a measure to relieve the pressure on our forest resources, I now propose to totally exempt imported pulp and wood chips and make this concession available to all user industries. Customs duty on wood in certain specified forms is also proposed to be reduced from the existing level of 100 per cent to 10 per cent *ad valorem*. These concessions would entail a revenue sacrifice of about Rs. 17.70 crore in a full year.

Not all the proposals in my basket qualify to be described as crude or wooden. To encourage alternative sources of energy, I propose to provide for total exemption from customs duty in respect of wind operated electricity generators and wind operated battery chargers. I also propose to reduce customs duty on exhaust gas analyser and smoke meters in order to help enforce anti-pollution norms. The revenue effect of these concessions will be Rs. 7.54 crore.

I now propose a set of measures aimed at export promotion. I am abolishing the export duties on twelve items which comprise iron ore, manganese ore, raw cotton, chromite ore and concentrate, cotton waste, animal feed, manganese dioxide, sillimanite, deoiled groundnut oilcake, raw wool, kyanite and bridge mica. With this abolition, export duty will now be leviable only on four items, namely, coffee, unmanufactured tobacco, mica other than bridge mica and hides and skins. Revenue implication of this proposal is Rs. 15.05 crore.

Keeping in view the potential of the leather industry in the field of exports, I am presenting a package of proposals relating to this industry. I propose to reduce customs duties on specified machinery used for leather processing, footwear and other leather goods manufacturing industries, from the general level of 81.50 per cent to 35 per cent *ad valorem*. I propose to fully exempt raw hides and skins, crust leather and finished cattle leather from import duty. The existing exemption on wet blue leather is also being made available on a long term basis. The import duty on wattle extract used by the leather processing industry is being reduced from 87 per cent to 40 per cent *ad valorem*. The proposals involve a revenue sacrifice of Rs. 20.07 crore in a year.

Some concessions were given in the last Budget and in January 1985 on imports of gem and jewellery machinery. I now propose to extend the concession to certain components of gem and jewellery machinery and to some essential tools for operating them. The revenue effect of this proposal is Rs. 53 lakh. I also propose to continue the concessions given in the last Budget in respect of specified items of machinery for food and meat processing and packaging.

In order to give relief to the woollen textile industry, I propose to reduce customs duty on raw wool from 50 per cent to 40 per cent *ad valorem*. This relief will cost the Exchequer Rs. 4.80 crore in a year.

Honourable members would recall that a few months ago, Government had extended a concessional rate of customs duty of 45 per cent in respect of components to be imported for the manufacture of fuel efficient commercial vehicles under the phased manufacturing programme. I propose to extend this concession to warrantly spares for such vehicles. In order to help indigenisation of the parts of commercial vehicles, I also propose to make the same concessional rate available to components imported by specified ancillary industries. The concession is proposed to be extended to components of fuel injection pumps and warranty spares imported by manufacturers of fuel injection pumps. Together, these concessions will cost the Exchequer Rs. 24.7 crore in a year.

I propose to totally exempt from customs duties certain advanced type of computers not manufactured in the country. Simultaneously, customs duty on four important components of computers is being further reduced from 75 per cent to 25 per cent *ad valorem* with a view to reducing the costs of the indigenous manufacturer of computers. These proposals would involve a revenue sacrifice of Rs. 20.40 crore.

The demand of health and medical care has not escaped my attention. I propose to reduce the duty on certain important items of medical equipment such as Nuclear Magnetic Resonance Scanner, CAT Scanner and Linear Accelerator, to 45 per cent *ad valorem*. Three specified intermediates used in the manufacture of the anti-T.B. and anti-Leprosy drug, Rifampicin, are being totally exempted from import duty. I also propose to reduce the customs duty on eight other drug intermediates as also on homoeopathic medicines. The revenue effect of these concessions is Rs. 14.09 crore.

Government has already exempted from the levy of customs duty scientific and technical instruments, apparatus and appliances imported by research institutions subject to certain conditions. As a measure of further encouragement to research in the country, I propose to exempt from customs duty consumable items of research materials to be imported by public-funded research institutions up to a value of Rs. 50,000 in a year. This would entail a revenue sacrifice of about Rs. 2.50 crore in a year.

In order to encourage domestic production of zip fasteners and discourage their smuggling, I propose to fully exempt zip fasteners from excise duty. This is in keeping with the other measures taken by me in this direction. Honourable members will recall that recently the import duty on watch components, horological machines and raw materials was reduced, as also the excise duty on watches. This measure will cost the Exchequer Rs. 3.07 crore.

In this context, the honourable members are aware of the various measures being taken by Government to tighten the implementation of anti-smuggling measures. We have also recently announced a liberalised scheme of rewards and incentives in this connection. I hope honourable members of the House will help to create a vibrant public opinion which alone, in the ultimate analysis, can help to reduce and eliminate the anti-national activities of smugglers.

With a view to giving encouragement to our sportsmen winning awards in events of international significance, we have evolved a scheme by which they are given suitable concessions in respect of taxes due on the awards.

Certain changes in the Customs Tariff Act, 1975 are also proposed. The details of these proposals are in the Budget papers.

Before I deal with my proposals in respect of excise duties, there is one matter which I would like to mention. It relates to the recommendation of the Eighth Finance Commission that there was scope for increasing the rates of stamp duty on bills of lading, letters of credit and general insurance policies. I accordingly propose to raise the rates of stamp duty on the instruments of bills of lading and letters of credit. I propose, however, not to disturb the existing rates of stamp duty on general insurance policies. The new rates of duties would be effective only from the 1 July 1985. The accrual of additional revenue to the States and the Union territories during the next financial year would be Rs. 12.24 crore.

Coming now to the excise duties, let me begin with my proposals for additional resource mobilisation.

The rate of duty in respect of Item 68 of the excise tariff is being raised from the existing level of 10 per cent to 12 per cent. This is likely to yield an additional revenue of Rs. 125 crore by way of central excise duties and Rs. 60 crore by way of countervailing duty in a full year. I must hasten to add that this increase will not affect the raw materials and manufactured inputs which are intermediates, as the existing provisions for the set off of the duty paid on goods falling under Item 68 used in the manufacture of other excisable goods, would continue.

The excise duty on vegetable product which has been at a low level of 5 per cent for over 15 years is being raised to 10 per cent. This measure would fetch in a full year additional revenue of Rs. 70 crore.

The basic excise duty on cement is being raised from Rs. 205 per MT to Rs. 225 per MT for the common varieties of cement. This will result in an additional revenue gain of Rs. 66 crore on the excise side and Rs. 1.60 crore on the customs side by way of increase in the countervailing duty.

Four new items are being introduced in the Excise tariff which will yield additional revenue of Rs. 19 crore in a year. The first three items are marble blocks, slabs and tiles, travel goods and organic chemicals. The last item is a preparation containing betelnuts and any one or more of other ingredients such as lime, catechu, cardamom, copra and menthol, put up for sale in unit containers, honourable members will recognize this 'coalition' as *pan masala.*

The extent of duty differential enjoyed by mini steel plants is being reduced. However, they will still have a duty advantage of Rs. 50 per MT. This measure is expected to yield an additional revenue of Rs. 18 crore in a full year.

I propose to increase the basic excise duty on aerated waters from 25 paise to 30 paise per bottle of 200 ml and on soda water from 5 paise to 10 paise per bottle of 200 ml... I do not know how many members have an interest in soda. There will be proportionate increase for bottles of higher capacity. I also propose to increase the basic duty on crown corks from 2 paise to 5 paise per unit. These proposals are expected to yield an additional revenue of about Rs. 16.75 crore in a full year.

As a measure aimed at reducing evasion, I propose to provide for purely specific rates of duty in respect of flat glass. I also propose to rationalise the tariff structure relating to glass. These measures will result in a revenue gain of Rs. 12.50 crore.

I propose to raise the basic excise duty on printing and writing paper and kraft paper, of specified varieties, by Rs. 200 per MT, and to increase the basic excise duty on certain speciality papers like coated paper, glassine paper and cigarette tissue, the revenue gain from these measures will be Rs. 10.50 crore.

I propose to raise the total duty on *biris* from Rs. 3.74 to Rs. 4 per thousand, on metal jacketed batteries from 20 per cent to 25 per cent *ad valorem,* and on storage batteries from 15 per cent to 20 per cent. These measures are expected to result in a revenue gain of Rs. 16.84 crore.

My next few proposals are rationalisation measures.

The concessional rates applicable to veneer matches are being extended to cardboard matches produced in the non-mechanised sector. The differential rates of duty for use of cardboard in matches in the mechanised sector are dispensed with. There will be only four rates of duty, namely, Rs. 1.60, Rs. 4.50, Rs. 5.15 and Rs. 6.85 per gross boxes as against the multiplicity of rates prevailing now. I hope this measure will result in greater use of cardboard in place of wood in the non-mechanised sector.

In the case of household, laundry and toilet soaps, duty rates depending only on the value of the soap are being prescribed, the present value limit of Rs. 7,800 per ton for qualifying for the lower rate of duty is being raised to Rs. 10,000 per ton. All soaps of value below Rs. 10,000 per MT will be charged to concessional duty of 5 per cent and other higher priced soaps will be charged to 15 per cent *ad valorem*. There will be an incidental revenue gain of about Rs. 1 crore from this measure.

In respect of gases and tubes and flaps of tyres, the present *ad valorem* levies are being converted into specific rates to simplify the assessment procedures.

I have also included in the Finance Bill some provisions designed to achieve rationalisation, simplification and clarity in the tariff nomenclature in respect of cosmetics and toilet preparations, iron and steel and non-ferrous metals. This measure in the case of cosmetics and toilet preparations is estimated to result in a revenue gain of about Rs. 5 crore. There are certain other minor proposals with not much revenue significance, which include revision of rates of duty in some cases and readjustment of duties.

My next two proposals are a measure of simplification as well as relief. The first relates to special excise duty. This duty, as honourable members are aware, is levied as a percentage of the basic excise duty, the maximum being 10 per cent. The present system entails maintenance of separate account in respect of this levy. As a first step towards abolition of special excise duty, I propose to exempt as many as 100 items from this levy merging the special excise duty in some cases with the basic duty. Only 32 items will now be subject to this levy. This measure will cost the Exchequer Rs. 38.20 crore.

The second proposal regarding simplification concerns the licence fee on television sets, VCRs and radios. While the requirement of taking out a licence in the case of radios, television sets and VCRs is being dispensed with, a new one-time levy is being introduced on television sets alone at a uniform rate of Rs. 100 per set *in lieu* of the present licence fee of Rs. 50 payable every year till the T.V. set lasts. Henceforth, people will not have to go to the post offices for taking out or renewing licences, this levy would be an additional duty of excise, so far as T.V. sets manufactured in India are concerned. The additional duty of excise collected from. This will accrue to the Centre only and will not be shareable with the States. Additional duty of customs of an equal amount would be levied on television sets when imported into India. The collection on this account is expected to be Rs. 18 crore in a year on the excise side and Rs. 2 crore on the customs side.

Now I come to my proposals regarding textiles. I propose to partly shift the cotton fabrics duty to the yarn stage. Unprocessed cotton fabrics are being fully exempted and duty burden on cotton yarn is being increased generally by about 25 per cent. However, cotton yarn in straight reel hanks which is generally used by handlooms will continue to be exempted. The concessional rates for yarn in cross reel hanks supplied to registered handloom co-operative societies, are also being continued. Power processing of fabrics, whether in composite mills or elsewhere, will now attract the same processing stage duty generally at a lower rate. While lowering the overall rate, I have taken care to ensure that the additional duty component collected *in lieu* of sales tax which goes to the States is increased. Exemption enjoyed by hand processors is being continued. So also the exemption to handloom fabrics processed by approved independent processors and registered handloom co-operative societies is being continued.

I also propose to fully exempt shoddy woollen blankets. Excise duty on certain polyester-wool blended fabrics is also being reduced.

My proposals on excise duties relating to textiles would result in a revenue loss of about Rs. 13.85 crore in a full year.

As honourable members are aware, substantial concessions in customs duty have been accorded in the last two years to the electronics industry, keeping in view the growth potential of this industry. I have already referred to the concessions in customs duty, in respect of computers. I propose to completely exempt computers from excise duty. I have also attempted to rationalise the existing excise tariff structure in respect of different electronic items.

In order to simplify assessment of excise duty on television sets, I propose to fix specific rates of duty relatable to the size of the T.V. screen. While doing so, I am also exempting from excise duty black and white television sets of screen size not exceeding 36 cms.

These proposals will cost the Exchequer Rs. 7.72 crore in a year.

I propose to increase the basic excise duty on commercial vehicles from 10 per cent to 15 per cent *ad valorem* and on three-axled vehicles from 7.50 per cent to 10 per cent *ad valorem*. This would yield about Rs. 45 crore in a year. However, I propose to provide for credit of the duty paid on tyres and batteries used in the manufacture of all commercial vehicles including three-axled vehicles. I also propose to allow a reduction of duty by 2 percentage points in respect of commercial vehicles which are turbo-charged. This concession will also be extended to passenger cars if they are turbo-charged. These two proposals will cost the Exchequer Rs. 82 crore in a year. The net loss of revenue would, therefore, be Rs. 37 crore. I hope these measures would help manufacturers to reduce the prices of commercial vehicles.

Honourable members could recall that in the 1982 Budget, full exemption was given to duplex paper board intended for lamination with low density polyethylene and intended for packaging of milk. I propose to extend the concession to all varieties of paper and paper board intended for lamination with low density polyethylene, which should help in better utilisation and marketing of milk. I also propose to fully exempt accessories of cycles and leather board from excise duty. These measures will entail a revenue sacrifice of Rs. 2.10 crore in a full year.

My last proposal relates to the excise duty exemption for the small-scale sector. As the honourable members are aware, the excise duty mechanism has been used to encourage the growth of this sector. Under the present general scheme relating to 67 specified groups of commodities full exemption is available up to first clearances of Rs. 75 lakh and clearances thereafter up to Rs. 25 lakh are charged to duty at 75 per cent of the duty otherwise payable. However, a unit whose clearances had exceeded Rs. 25 lakh in the preceding financial year is not eligible for the concession. In order to see that the cut-off limit of Rs. 25 lakh does not inhibit the growth of the small-scale sector, I propose to raise the eligibility limit to Rs. 75 lakh. I also propose to further liberalise the scheme by providing for slab rates. For clearances between Rs. 7.50 lakh and Rs. 15 lakh the rate will be 25 per cent for clearances between Rs. 15 lakh and 25 lakh the rate will be 50 per cent and for clearances between Rs. 25 lakh and 40 lakh the rate will be 75 per cent, of the duty otherwise payable. The revised scheme envisages that even when a manufacturer exceeds the limit of Rs. 40 lakh, he does not lose the concessional rates applicable at the lower slabs, till he exceeds Rs. 75 lakh. A similar scheme with some modifications is being introduced in respect of goods falling under Item 68.

My proposals relating to the small-scale sector entail a revenue sacrifice of Rs. 20 crore.

My proposals in respect of customs and excise duties outlined above are likely to yield additional revenue of Rs. 707 crore from customs duties and Rs. 424.29 crore from excise duty. The concessions and reliefs aggregate Rs. 419.88 crore on the customs side and Rs. 164.75 crore on the excise side. The net additional revenue from customs duties thus would be Rs. 287.12 crore and that from excise duties Rs. 259.54 crore. In the excise duties, the Centre's share would be Rs. 139.59 crore and that of the State Rs. 119.95 crore. The Centre's share includes a sum of Rs. 18 crore on account of additional excise duty on television sets. I would like to mention that the States' share has been calculated at the rate of 45 per cent of the net proceeds from basic excise duties, and that steps have been taken to increase the incidence of additional duty *in lieu* of sales tax.

Copies of notifications giving effect to the changes in customs and excise duties effective from the 17 March 1985 will be laid on the Table of the House in due course.

I had earlier mentioned that the Budget deficit at the existing rates of taxes would be Rs. 3,660 crore. The proposed tax measures, taken together with reliefs and concessions, are estimated to yield net additional revenue of Rs. 311 crore to the Centre and Rs. 132 crore to the State during 1985-86. This will leave an uncovered deficit of Rs. 3,349 crore. This deficit is lower than that in the current year and is reasonable. I am confident that various policies and measures which we have proposed will further stimulate the economy and contribute to the welfare of the common man.

Let me end, Mr. Speaker, as I began, with the words of the late Prime Minister Smt. Indira Gandhi: "We all have faith in new India. Let us put our shoulder to the wheel."