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**STANDING COMMITTEE ON
FINANCE
(1995-96)**

TENTH LOK SABHA

**THE UNION DUTIES OF EXCISE (DISTRIBUTION)
AMENDMENT BILL, 1995**

FIFTEENTH REPORT



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

May, 1995/Jyaistha, 1917 (Saka)

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STANDING COMMITTEE ON FINANCE
(1995-96)

(TENTH LOK SABHA)

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AMENDMENT BILL, 1995



Presented to Lok Sabha on 31 May, 1995
Laid in Rajya Sabha on 31 May, 1995

LOK SABHA SECRETARIAT
NEW DELHI

May, 1995/Jyaistha, 1917 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON FINANCE (1995-96)

Dr. Debiprosad Pal — *Chairman*

MEMBERS

Lok Sabha

2. Shri. Magunta Subbarama Reddy
3. Prof. K.V. Thomas
4. Dr. K.V. R. Chowdary
5. Shri. Chhitubhai Gamit
6. Shri. Prithviraj D. Chavan
7. Shri. S.B. Sidnal
8. Smt. Maragatham Chandrasekhar
9. Shri. P.C. Chacko
10. Shri. Prakash V. Patil
11. Shri. Mahendra Kumar Singh Thakur
12. Shri. B. Akbar Pasha
13. Shri. Satyapal Singh Yadav
14. Shri. Sushil Chandra Varma
15. Shri. Jeewan Sharma
16. Shri. Chetan P.S. Chauhan
17. Shri. Dilcepbbhai Sanghani
18. Shri. Manabendra Shah
19. Shri. Sartaj Singh Chhatwal
20. Shri. Harin Pathak
21. Shri. Nirmal Kanti Chatterjee
22. Prof. Susanta Chakraborty
23. Shri. T.J. Anjalose
24. Shri. Srikanta Jena
25. Shri. Bhogendra Jha
26. Shri. George Fernandes
27. Shri. Abdul Ghafoor
28. Shri. Kadambur M. R. Janardhanan

Rajya Sabha

29. Shri. Satish Agarwal
30. Shri. Krishna Kumar Birla
31. Shri. Triloki Nath Chaturvedi
32. Shri. Sanjay Dalmia
33. Dr. Biplab Dasgupta

34. Shri. Gurudas Das Gupta
35. Shri. K.R. Jayadevappa
36. Dr. Shrikant Ramchandra Jichkar
37. Shri. Chimanbhai Mehta
38. Shri. Rajubhai A. Parmar
39. Shri. Narendra Pradhan
40. Shri. T. Venkatram Reddy
41. Shri. Surinder Kumar Singla
42. Shri. S. Viduthalai Virumbi

SECRETARIAT

1. Shri. S.N. Mishra — *Additional Secretary*
2. Shri. G.C. Malhotra — *Joint Secretary*
3. Shri. Satish Loomba — *Deputy Secretary*
4. Shri. T.K. Mukherjee — *Assistant Director*

INTRODUCTION

1. the Chairman of the Standing Committee on Finance (1995-96) having been authorised by the Committee to submit the Report on their behalf, present the Fifteenth Report on the Union Duties of Excise (Distribution) Amendment Bill, 1995.

2. The Bill was introduced in Lok Sabha on 8 May, 1995 and was referred to the Committee by the Speaker under Rule 331E(b) of the Rules of Procedure and Conduct of Business in Lok Sabha. The Bill was considered and approved by the Committee at their sitting held on 23 May, 1995.

3. The Report was considered and adopted by the Committee at their sitting held on 24 May, 1995.

NEW DELHI:
25 May, 1995
4 Jyaistha, 1917 (Saka)

DR. DEBIPROSAD PAL,
Chairman,
Standing Committee on Finance.

REPORT

Entry 84 of List I (Union List) of the Seventh Schedule read with article 272 of the Constitution vests in Parliament the power to levy Union Excise Duties. The article also provides for the sharing of the net proceeds of these duties with the States, if Parliament by law so provides, on the basis of the recommendations of the Finance Commission which is set up in pursuance of the provisions of Article 280 of the Constitution of India.

2. Under the Tenth Finance Commission's recommendations which has been accepted by the Government the States share in Union Excise duties have been increased to 47.5 per cent from the earlier 45%. The Commission also decided to keep apart 7.5 per cent out of 47.5 per cent of the Union Excise Duties assigned to the States for distribution amongst States assessed deficit by the Commission. This deficit has been assessed after taking into account devolution of income-tax and 40 per cent of the net proceeds of Union excise duties, and after taking into account share of States in additional excise duties and grants in lieu of tax on railway passenger fares in each of the years during the period 1995-2000, as a proportion of the total deficit so assessed for all the States.

3. The population and backwardness of the States are the two main criteria adopted by the successive Finance Commissions, with a varying weightage to each of these factors, in determining the share of the respective States in the distributable net proceeds of excise duties. Each Commission had evolved its own method for assessing their relative backwardness of the State.

4. The criteria adopted by the Tenth Finance Commission for distribution of the 47.5% of the net proceeds of the Union Excise Duties (40% to all States and remaining 7.5% to States having deficit after taking into account their shares from devolution of taxes and duties) are based on the following indices :

A. 40% to all States

- (i) 20 per cent on the basis of population of 1971;
- (ii) 60 per cent on the basis of distance of per capita income;
- (iii) 5 per cent on the basis of area adjusted;
- (iv) 5 per cent on the basis of index of infrastructure; and
- (v) 10 per cent on the basis of tax effort.

B. 7.5% to deficit States

In proportion to the deficit of each state to the total deficits of all the States.

5. The present Bill proposes to amend existing Union Duties of Excise (Distribution) Act, 1979 as amended in 1990, to give effect to the recommendations of the Tenth Finance Commission, which would be valid for the five years 1995-2000.

6. The Committee considered the Bill at its sitting held on 23 May, 1995.

7. Having considered the proposed Bill, the Committee approve the Union Duties of Excise (Distribution) Amendment Bill, 1995 without any recommendation for amendment.

NEW DELHI;
25 May, 1995

4 Jyaistha, 1917 (Saka)

DR. DEBIPROSAD PAL,
Chairman,
Standing Committee on Finance.

ANNEXURE I

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON FINANCE HELD ON 23 MAY, 1995

The Committee sat from 9.30 hrs. to 10.50 hrs in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Dr. Debiprosad Pal — *Chairman*

MEMBERS

Lok Sabha

2. Prof. K. V. Thomas
3. Dr. K. V. R. Chowdary
4. Shri Prithviraj D. Chavan
5. Shri Mahendra Kumar Singh Thakur
6. Shri Prakash V. Patil
7. Shri B. Akbar Pasha
8. Shri Manabendra Shah
9. Shri Harin Pathak
10. Shri Nirmal Kanti Chatterjee
11. Shri Kadambur M.R. Janardhanan
12. Smt. Maragatham Chandrasekhar.

Rajya Sabha

13. Shri K.R. Jayadevappa
14. Dr. Shrikant Ramchandra Jichkar
15. Shri Rajubhai A. Parmar
16. Shri S. Viduthalai Virumbi

SECRETARIAT

1. Shri G.C. Malhotra — *Joint Secretary*
2. Shri Satish Loomba — *Deputy Secretary*
3. Shri T.K. Mukherjee — *Assistant Director.*

**REPRESENTATIVES FROM THE MINISTRIES OF FINANCE, SCIENCE & TECHNOLOGY AND LAW,
JUSTICE & COMPANY AFFAIRS.**

- | | |
|--------------------------------|--|
| 1. Shri Montek Singh Ahluwalia | — Finance Secretary |
| 2. Shri P. Rama Rao | — Secretary, Science & Technology |
| 3. Shri S.B. Krishanan | — JS &FA, Deptt. of Science and Technology |
| 4. Shri K.N. Chaturvedi | — Addl. Legislative Counsel, Legislative Department, Ministry of Law, Justice & Company Affairs. |

The Chairman welcomed the Members and the representatives of the Ministries. He informed the Members that three Bills viz. The Union Duties of Excise (Distribution) Amendment Bill, 1995; The Technology Development Board Bill, 1995; and The Research and Development Cess (Amendment) Bill, 1995 have been referred to the Standing Committee by the Hon'ble Speaker, Lok Sabha for examination and report to Parliament. The Chairman further informed that the representatives of the Ministries have been invited for assisting the Committee and for giving clarifications, if any, required by the members on the above mentioned Bills.

The Chairman desired that in the first instance 'The Union Duties of Excise (Distribution) Amendment Bill, 1995' be taken up for consideration. He informed the members that the Bill seeks to amend the Union Duties of Excise (Distribution) Act, 1979 for giving effect to some of the recommendations of the Tenth Finance Commission. The Bill was considered and approved by the Committee without any amendment.

Thereafter, the Committee took up The Research and Development Cess (Amendment) Bill, 1995. The members of Committee sought certain clarifications on issues such as the definition of Technology import, payments towards import of technology either in lumpsum or staggered and exemption to industrial concern from the payment of the cess payable under this Act, which were given by the representatives of the Ministries.

The Committee thereafter considered the Bill and approved the same without any recommendation for amendment.

The Committee then adjourned to meet again on 24 May, 1995 at 9.30 hours.

MINUTES OF THE SITTING OF THE STANDING COMMITTEE
ON FINANCE HELD ON 24 MAY, 1995

The Committee sat from 9.30 hrs. to 10.45 hrs. in Committee Room 'C', Parliament House Annexe and from 17.30 hrs. to 18.45 hrs. in Committee Room 62, Parliament House.

PRESENT

Dr. Debiprosad Pal — *Chairman*

MEMBERS

Lok Sabha

2. Dr. K. V. R. Chowdary
3. Shri. Prithviraj D. Chavan
4. Shri S. B. Sidnal
5. Shri P.C. Chacko
6. Shri Prakash V. Patil
7. Shri B. Akber Pasha
8. Shri Sushil Chandra Varma
9. Shri Nirmal Kanti Chatterjee
10. Shri Bhogendra Jha

Rajya Sabha

11. Dr. Biplab Dasgupta
12. Dr. Shrikant Ramchandra Jichkar
13. Shri Chimabhai Mehta
14. Shri Rajubhai A. Parmar
15. Shri T. Venkatram Reddy
16. Shri Surinder Kumar Singla
17. Shri S. Viduthalai Virumbi

SECRETARIAT

1. Shri G.C. Malhotra — *Joint Secretary*
2. Shri Satish Loomba — *Deputy Secretary*
3. Shri T.K. Mukherjee — *Assistant Director*

OFFICIALS FROM THE MINISTRIES OF FINANCE, SCIENCE & TECHNOLOGY AND LAW, JUSTICE
AND COMPANY AFFAIRS

1. Dr. Montek Singh Ahluwalia — Finance Secretary
2. Shri P. Rama Rao — Secretary, Science & Technology
3. Shri S.B. Krishanan — JS & FA, Deptt. of Science and Technology
4. Shri K.N. Chaturvedi — Addl. Legislative Counsel, Legislative Deptt., Ministry of Law, Justice & Company Affairs.

The Chairman requested the members to express their views on the Technology Development Board Bill, 1995. Members expressed their views on the composition of the Board under Sub-clause (f) of Section 3(3) of the Bill. Some members were of the view that persons having experience in Finance and Banking should be included. Some other members were of the view that the Chairman of All India Council for Technical Education, Chairman of UGC, representative from ICAR, Members of Parliament should be also be included and representation of States should be thereby rotation. Some other Members were of the view that specialists from industry and agriculture are also essential on the Board. Thereafter, the Committee sought clarifications on the voting right of the co-opted members of the Committee appointed by the Board under Clause (2) of Section 5 of the Bill which were given by the representatives of the Ministries. The Committee then adjourned to meet again at 17.30 hours on the same day.

When the Committee re-assembled, the Chairman placed the draft Report on The Union Duties of Excise (Distribution) Amendment Bill, 1995 for consideration of the Committee. The Committee adopted the same without any amendment and authorised the Chairman to finalise and present the Report to the Parliament.

Thereafter, the Committee took up further consideration of the Technology Development Board Bill, 1995. Clarification sought on 'indigenous technology' was given

by the representatives of the Ministry. Some Members again expressed their views on the composition of the Board and desired representation of Secretary, Rural Development and Members of Parliament on the Board while some other Members expressed their reservations on such inclusions and consequent expansion of the Board.

The Chairman requested the Members to send their written suggestions/amendments on the Bills in writing to the Secretariat latest by Friday i.e. 26 May, 1995.

The Committee then adjourned.

ANNEXURE II

As Introduced in Lok Sabha

Bill No. 33 of 1995

THE UNION DUTIES OF EXCISE (DISTRIBUTION) AMENDMENT BILL, 1995

A BILL

Further to amend the Union Duties of Excise (Distribution) Act, 1979.

BE it enacted by Parliament in the Forty-sixth Year of the Republic of India as follows :—

24 of 1979.

1. (1) This Act may be called the Union Duties of Excise (Distribution) Amendment Act, 1995.

Short title and commencement.

(2) It shall be deemed to have come into force on the 1st day of April, 1995.

2. In the Union Duties of Excise (Distribution) Act, 1979 (hereinafter referred to as the principal Act), in the long title, for the words, figures and letters "second report dated the 18th day of December, 1989", the words, figures and letters "report dated the 25th day of November, 1994" shall be substituted.

Amendment of long title.

3. In section 2 of the principal Act, for the words "forty-five per cent.", the word "forty-seven and a half per cent." shall be substituted.

Amendment of section 2.

4. For section 3 of the principal Act, the following section shall be substituted, namely :—

Substitution of new Section for Section 3.

"3. During the financial year commencing on the 1st day of April 1995, and each of the four succeeding financial years, there shall be paid, out of the Consolidated Fund of India, to the States sums equivalent to the distributable Union duties of excise levied and collected in that year and, —

Payment to States of sum equivalent to a part of the net proceeds of

Union duties
of excise and
distribution of
the sums
among them.

(a) Sixteen-ninetyths of the sums so payable bring each such financial year shall be distributed to each of the States specified in column (1) of Table I below in such percentage as is set out against it in column (2) thereof; and

(b) three-ninetyths of the sums so payable during each such financial year shall be distributed to each of the States specified in column (1) of Table II below in such percentage as is set out against it in column (2) thereof with respect of that financial year :—

TABLE I

State	Percentage
1	2
Andhra Pradesh	8.465
Arunachal Pradesh	0.170
Assam	2.784
Bihar	12.861
Goa	0.180
Gujarat	4.046
Haryana	1.238
Himachal Pradesh	0.704
Jammu and Kashmir	1.097
Karnataka	5.339
Kerala	3.875
Madhya Pradesh	8.290
Maharashtra	6.126
Manipur	0.282
Meghalaya	0.283
Mizoram	0.149
Nagaland	0.181
Orissa	4.495
Punjab	1.461
Rajasthan	5.551
Sikkim	0.126
Tamil Nadu	6.637
Tripura	0.378
Uttar Pradesh	17.811
West Bengal	7.471

TABLE II

State (1)	Financial Year and percentage				
	(2)				
	1995-96	1996-97	1997-98	1998-99	1999-2000
Andhra Pradesh	12.069	7.988	0.000	0.000	0.000
Arunachal Pradesh	3.410	4.300	5.871	6.224	6.667
Assam	8.543	9.836	11.849	10.748	9.290
Bihar	6.434	2.965	0.000	0.000	0.000
Goa	0.973	1.058	1.161	0.917	0.604
Himachal Pradesh	8.816	10.744	14.057	14.230	14.333
Jammu and Kashmir	13.366	16.491	21.985	22.741	23.700
Manipur	3.930	4.891	6.602	6.971	7.348
Meghalaya	3.590	4.403	5.815	5.994	6.130
Mizoram	3.676	4.628	6.278	6.784	7.074
Nagaland	5.818	7.417	10.247	11.072	12.025
Orissa	4.815	5.248	4.934	2.773	0.680
Rajasthan	0.835	0.000	0.000	0.000	0.000
Sikkim	1.199	1.473	1.938	1.982	2.055
Tripura	5.465	6.807	9.263	9.618	10.089
Uttar Pradesh	17.061	11.751	0.000	0.000	0.000

STATEMENT OF OBJECTS AND REASONS

As recommended by the Ninth Finance Commission in its second report for 1985—90 a sum equivalent to forty-five per cent. of the annual net proceeds of the Union duties of excise, excluding cesses levied under special Acts and earmarked for special purposes, is paid to the States and distributed among them in percentages recommended by the Ninth Finance Commission.

2. The Tenth Finance Commission in its report has commended that:—

(i) the States' share in the net proceeds of shareable Union excise duties should be forty-seven and a half per cent.;

(ii) forty per cent of the net proceeds of shareable Union excise duties should be distributed among the States in percentages recommended by it; and

(iii) the balance of seven and a half per cent. of the net proceeds of shareable Union excise duties should be distributed among the deficit States in percentages recommended by it.

3. The Bill seeks to amend the Union Duties of Excise (Distribution Act, 1979 for giving effect to the above recommendations of the Commission.

NEW DELHI,
The 24th April, 1995.

M. V. CHANDRASEKHARA MURTHY.