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

TENTH LOK SABHA

**THE RESEARCH AND DEVELOPMENT CESS
(AMENDMENT) BILL, 1995**

SIXTEENTH REPORT



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**LOK SABHA SECRETARIAT
NEW DELHI**

May, 1995/Jyaishta, 1917 (Saka)

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(TENTH LOK SABHA)

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(AMENDMENT) BILL, 1995

Presented to Lok Sabha on June, 1995
Laid in Rajya Sabha on June, 1995



LOK SABHA SECRETARIAT
NEW DELHI

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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. Akber Pasha
13. Shri Satyapal Singh Yadav
14. Shri Sushil Chandra Varma
15. Shri Jeewan Sharma
16. Shri Chetan P.S. Chauhan
17. Shri Dileepbhai 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 .

I, the Chairman of the Standing Committee on Finance (1995-96) having been authorised by the Committee to submit the Report on their behalf, present this Sixteenth Report on the Research and Development Cess (Amendment) Bill, 1995 of the Ministry of Finance.

2. The Bill was introduced in Lok Sabha on 2 May, 1995. It was referred to the Committee by the Speaker, Lok Sabha under Rule 331E(b) of the Rules of Procedure and Conduct of Business in Lok Sabha for examination and Report.

3. The Bill was considered and approved by the Committee at their sitting held on 23 May, 1995.

4. The Report was considered and adopted by the Committee at their sitting held on 29 May, 1995.

NEW DELHI;
29 May, 1995
8 Jyaistha, 1917 (Saka)

DR. DEBIPROSAD PAL
Chairman,
Standing Committee on Finance.

REPORT

The Research and Development Cess Act, 1986 provides for the levy and collection of a cess on all payments made for the import of technology for purposes of encouraging the commercial application of indigenous technology and for adapting imported technology to wider domestic application and for matters connected therewith or incidental thereto. The Cess Act of 1986 covers payment of cess on the import of technology approved by the Government. Currently, cess is levied at the rate of 5%. Under the provisions of the Act, the proceeds of the cess are first credited into the Consolidated Fund of India and after due process of appropriation, the amount as budgeted is paid into the Venture Capital Fund administered by the Industrial Development Bank of India. The IDBI utilizes the Venture Capital Fund for providing financial assistance to industrial concerns attempting commercial application of indigenous technology or adapting imported technology to wider domestic application.

2. With the increasing pace of liberalisation of the Indian economy, the need for globalisation and to improve the competitiveness of Indian industries, a new orientation towards research, design and development of application oriented technology and development of new technologies appropriate to our needs has become necessary. In the Central Government Budget for 1994-95, it was proposed to place the proceeds of the cess into a new Fund for Technology Development and Application which would be placed at the disposal of the Department of Science and Technology to help the indigenously developed technologies reach the stage of commercial application.

3. To give effect to the above proposal, the two bills *viz.* The Research and Development Cess (Amendment) Bill, 1995 and The Technology Development Board Bill, 1995 have been introduced in Lok Sabha on 2 May, 1995.

4. The Research and Development Cess (Amendment) Bill, 1995 seeks to amend The Research and Development Cess Act, 1986 so as to substitute for the Venture Capital Fund by the Technology Development Board which is proposed to be constituted under a separate enactment, namely, The Technology Development Board Bill, 1995. It also provides for levy of cess on the import of technology approved whether under automatic route or by Government in accordance with the Industrial policy of the Government of India from time to time.

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

6. The Committee note that to accelerate the development and application of indigenous technology to production process, it was proposed in the Central Government Budget 1994-95 to place the proceeds of the cess, presently collected under The Research and Development Cess Act, 1986 into a new Fund for Technology Development and Application and the Fund would be placed at the disposal of a Technology Development Board proposed to be set up as a statutory body by a separate legislation/enactment namely The Technology Development Board Bill, 1995. The Committee further note that with a view to achieving the above objectives, The Research and Development Cess (Amendment) Bill, 1995 has been brought to amend The Research and Development Cess Act, 1986 so as to substitute for the Venture Capital Fund by The Technology Development Board.

7. The Committee approve the proposed amendments in the Research and Development Cess Act, 1986 and support the Bill without any amendments.

NEW DELHI ;
29 May, 1995

8 Jyaistha, 1917 (Saka)

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

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

The Committee sat from 9.30 hrs. to 1050 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. Akber 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*

*Officials from the Ministries of Finance; Science & Technology and Law,
Justice & Company Affairs.*

Sl. No.	Name	Desingation
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 the 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 concerns 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 29 MAY 1995.

The Committee sat from 1600 hrs. to 1900 hrs. in Committee
Room 50, Parliament House, New Delhi.

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 Manabendra Shah
6. Shri Nirmal Kanti Chatterjee
7. Prof. Susanta Chakraborty
8. Shri Bhogendra Jha

Rajya Sabha

9. Shri Triloki Nath Chaturvedi
10. Dr. Biplab Dasgupta
11. Shri K.R. Jayadevappa
12. Shri Chimanbhai Mehta
13. Shri Rajubhai A. Parmar
14. Shri Surinder Kumar Singla
15. Dr. Shrikant Ramchandra Jichkar
16. Shri T. Venkatram Reddy

SECRETARIAT

Shri T.K. Mukherjee — Assistant Director

Officials from the Ministries of Finance, Science & Technology, Law, Justice & Company Affairs.

1. Shri P. Rama Rao, Secretary, Deptt. of Science & Technology.
2. Shri S.B. Krishnan, Joint Secretary, Deptt. of Science and Technology.
3. Shri P.J. Nayak, Joint Secretary, Deptt. of Economic Affairs.
4. Shri K.N. Chaturvedi, Addl. Legislative Counsel, Legislative Department.
5. Shri N.K. Nampoothiry, Asstt. Legislative Counsel, Ministry of Law.
6. Shri Pradeep Puri, Director, Deptt. of Economic Affairs.
7. Shri V. Saraswathy, Under Secretary, Deptt. of Economic Affairs.

After welcoming the Members and representatives of the Ministries, the Chairman placed the draft Report on the Research and Development Cess (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 Chairman invited the attention of the members to the Additional Duties of Excise (Goods of Special Importance) Amendment Bill, 1995 referred to the Committee under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha. The Chairman also informed the members that the bill has been brought for giving effect to the recommendations of the Tenth Finance Commission. The Committee considered the Bill and decided to support it without any amendment.

The Committee then took up clause by clause consideration of the Technology Development Board Bill, 1995 in the light of amendments received from the Members.

The long title of the Bill was discussed in detail. It was felt by the Committee that the long title of the Bill is restricting the functions of the Board for payment of equity capital/assistance to industrial concerns and it also does not provide for the development of indigenous technology and as such not consistent with clause 6 of the

Bill. After considering the amendments received on the subject, it was decided that in line two of the long title of the Bill after the words "industrial concerns", the words "and other agencies" should be added. It was also decided that after the word "attempting" the words "development &" should also be added.

In clause 3 of the Bill which provides for the composition and incorporation of Technology Development Board, it was agreed that a new item (f) may be added after the item (e) to include the Secretary to the Govt. of India incharge of the Ministry or Deptt. of Central Govt. dealing with Rural Development as a member of the Board.

Members of the Committee were also of the view that the Board should consist of persons having experience in Technology Development and Application, Banking and Finance, Industry, Agriculture and Rural Development. It was agreed that words "Banking and Finance, Industry, Agriculture and Rural Development" be added after the words "technology development and application" in item (f) of sub-clause (3) of clause 3.

Consequently, the existing items (f) and (g) should be renumbered accordingly.

On item (a) of clause 6 which provides for the functions of the Board, it was felt that element of subjectivity should be avoided. It was agreed that the words "subject to such conditions as may be determined by regulations" should be added after the words "equity capital" in item (a) of clause 6.

The Committee also considered to add a new item under sub-clause (2) of clause 22 in order to bring in consistency with the amendments suggested in item (a) of clause 6 of the Bill. It was decided that a new item providing that the conditions subject to which equity capital may be provided by the Board under item (a) of clause 6 should be added after item (a) of sub-clause (2) and the existing items should be re-numbered.

All the amendments proposed were discussed but only the ones mentioned above were accepted by the Committee and certain other amendments were withdrawn by the proposers themselves.

The Bill with these amendments/modifications was adopted by the Committee

The Committee then adjourned.

As Introduced in Lok Sabha

Bill No. 27 of 1995
THE RESEARCH AND DEVELOPMENT CESS
(AMENDMENT) BILL, 1995

A
BILL

to amend the Research and Development Cess Act, 1986.

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

1. (1) This Act may be called the Research and Development Cess (Amendment) Act, 1995. Short title and commencement

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

32 of 1986

2. In section 2 of the Research and Development Cess Act, 1986 (hereinafter referred to as the principal Act),— Amendment of section 2.

(i) for clauses (a) to (c), the following clauses shall be substituted, namely:—

‘(a) “Board” means the Technology Development Board constituted under the Technology Development Board Act, 1995;

(b) “cess” means the cess levied under section 3;

(ii) in clause (e), for the words “is approved by the Central Government” occurring at the end, the following shall be substituted, namely:—

“is approved or automatically approved in accordance with the Industrial Policy of the Government of India in force from time to time”.

Amendment
of section 4.

3. In section 4 of the principal Act,—

(i) for the expression “Development Bank”, the expression “Board” shall be substituted;

(ii) for the expression “Fund”, the expression “Board” shall be substituted.

Omission of
sections 5 and
6.

4. Sections 5 and 6 of the principal Act shall be omitted.

Amendment
of sections 8
and 9.

5. In sections 8 and 9 of the principal Act, for the expression “Development Bank”, wherever it occurs, the expression “Board” shall be substituted.

STATEMENT OF OBJECTS AND REASONS

The Research and Development Cess Act, 1986 provides for the levy and collection of a cess on all payments made for the import of technology for purposes of encouraging the commercial application of indigenously developed technology and for adapting imported technology to wider domestic application and for matters connected therewith or incidental thereto. The aforesaid Act provides that the proceeds of the cess levied and collected under the said Act shall be first credited to the Consolidated Fund of India and thereafter the Central Government shall make payment out of such proceeds to the Venture Capital Fund of the Industrial Development Bank of India. The Industrial Development Bank of India utilises Venture Capital Fund for providing financial assistance to industrial concerns attempting commercial application of indigenous technology or adapting imported technology to wider domestic application.

2. With the increasing pace of industrialisation in the Indian economy, research, design and development work related to application-oriented technology is vital not only to improve upon our industrial productivity but also to develop new technologies appropriate to our needs. Thus there is a growing need to make science and technology an effective instrument of national renewal. To accelerate the development and application of indigenous technology to production processes, it was announced at the time of presenting the Central Government Budget for 1994-95 that it is proposed to place the proceeds of the cess into new fund for technology development and application and that the proposed fund will be placed at the disposal of a Technology Development Board which is proposed to be set up as a statutory body by a separate legislation.

3. With a view to achieving the above objectives it is proposed to amend the Research and Development Cess Act, 1986 so as to substitute for the Venture Capital Fund by the Technology Development Board which is proposed to be constituted under a separate enactment, namely, the Technology Development Board Bill, 1995. It is also proposed to make some consequential amendments in the said Act.

4. The Bill seeks to achieve the above objects.

NEW DELHI ;
The 13th Februry, 1995.

MANMOHAN SINGH