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**STANDING COMMITTEE
ON FINANCE
(1995-96)
TENTH LOK SABHA**

**THE ADDITIONAL DUTIES OF EXCISE (GOODS OF
SPECIAL IMPORTANCE) AMENDMENT BILL, 1995**

EIGHTEENTH REPORT



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

May, 1995/Jyaistha, 1917 (Saka)

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SPECIAL IMPORTANCE) AMENDMENT BILL, 1995**



Presented to Lok Sabha on 1 June, 1995
Laid in Rajya Sabha on 1 June, 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. Akber Pasha
13. Shri Satyapal Singh Yadav
14. Shri Sushil Chandra Varma
15. Shri Jeevan 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 Mchta

(iv)

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 the Eighteenth Report on The Additional Duties of Excise (Goods of Special Importance) Amendment Bill, 1995.

2. The Bill was introduced in Lok Sabha on 19 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 29 May, 1995.

3. The Report was considered and adopted by the Committee at their sitting held on 30 May, 1995.

NEW DELHI;
30 May, 1995

DR. DEBIPROSAD PAL
Chairman,
Standing Committee on Finance.

9 Jyaishta, 1917 (*Saka*)

REPORT

The Scheme of the levy of additional excise duties on sugar, tobacco, cotton fabrics, woollen fabrics and man-made fabrics was the outcome of an agreement reached at the meeting of the National Development Council held in December, 1956, in which the States agreed to refrain from exercising their power to levy sales tax on these commodities in lieu of a share in additional excise duties to be levied by the Centre. In pursuance of the said arrangement, the additional excise duties have, since 1957, been levied and collected by the Centre and the entire net proceeds (after deducting the share of Union Territories) are distributed amongst the States in accordance with the principles of distribution laid down by Finance Commissions from time to time. The arrangement stipulated that the distribution among the States should assure to them the revenue realised in 1956-57 from their respective sales taxes on these articles. Thus, the scheme was essentially in the nature of a tax rental arrangement.

The Second Commission, which was the first to examine this matter, adopted consumption figures alongwith population as a corrective factor.

The Ninth Commission maintained the view that since the additional excise duties were levied in lieu of sales tax which itself is a tax on consumption, the share of the States should correspond to their share in the consumption of these commodities. Direct and reliable data of State-wise consumption of these commodities, however, could not be obtained by that Commission. The Commission, therefore, relied on proxies, namely state domestic product and population of the respective state and recommended the shares of individual states by giving equal weightage to these two factors. The Ninth Commission preferred to use 1981 census figures of population because in their view, distribution of additional excise duties was not in the nature of devolution for which census figures of 1971 were to be used as per their terms of reference.

In evolving their approach for the distribution of the States' share, the Tenth Finance Commission kept in view the basis adopted by the earlier Commissions, the views of the State Governments and the availability of reliable data for the proxies which would represent a fair approximation to the consumption of the three articles. The commodities on which additional excise duties are levied are articles of mass consumption and accordingly, in the Commission's view, population should have a substantial weight in the formula. The Commission also agreed with the views of the earlier Commissions that the level of State income has a significant

bearing on the consumption of sugar, textiles and tobacco and should be a factor in distribution.

Tenth Finance Commission worked out the shares of the States by assigning a weight of 50 per cent to population according to the 1991 census, 40 per cent to the average of state domestic product for the three latest years *i.e.* 1987-88 to 1989-90 for which the requisite data was available and 10 per cent to the average collection of State sales tax (excluding inter state sales tax) for the three years 1990-91 to 1992-93, these being the latest three years for which final accounts are available.

The Tenth Commission agreed with the view of the Ninth Commission that distribution of additional excise duty is not in the nature of devolution for which the population figures of 1971 census should be used as per their terms of reference. Hence, they used the latest census figures of 1991.

The Committee considered Bill at its sitting held on 29 May, 1995.

The Committee note that the present Bill proposes to amend existing Additional Duties of Excise (Goods of Special Importance) Act, 1957 as amended in 1990, to give effect to the recommendations of the Tenth Finance Commission, whose award would be valid for the five years 1995—2000. In 1990 this Bill was amended to give effect to the recommendations of the Ninth Finance Commission.

Having considered the proposed Bill, the Committee approve the Additional Duties of Excise (Goods of Special Importance) Amendment Bill, 1995 without any recommendation for amendment.

NEW DELHI;
30 May, 1995

9 Jyaistha, 1917 (Saka)

DR. DEBIPROSAD PAL
Chairman,
Standing Committee on Finance.

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON
FINANCE HELD ON 29 MAY, 1995

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

PRESENT

Dr. Dabiprosad Pal—*Chairman*

MEMBERS

LOK SABHA

2. Dr. K.V.R. Chowdary
3. Shri Prithviraj D. Chavan
4. Shri S.B. Sidnal
5. Shri Manbendra 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. Shri Shrikant Ramchandra Jichkar
16. Shri T. Venkataram Reddy

SECRETARIAT

1. Shri T.K. Mukherjee, *Assistant Director*

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

1. Shri P. Rama Rao, Secretary Deptt. of Science & Technology.
2. Shri S.B. Krishnan, Joint Secretary, Deptt. of Science & 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 Ministriés, 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 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 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.

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON FINANCE HELD ON 30 MAY, 1995

The Committee met from 1600 hrs. to 1700 hrs. in Committee Room 50, Parliament House, New Delhi.

PRESENT

Dr. Dabiprosad Pal—*Chairman*

MEMBERS

LOK SABHA

2. Dr. K.V.R. Chowdary
3. Shri S.B. Sidnal
4. Smt. Maragatham Chandrasekhar
5. Shri B. Akber Pasha
6. Shri Manabendra Shah
7. Shri Nirmal Kanti Chatterjee
8. Shri Bhogendra Jha

RAJYA SABHA

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

SECRETARIAT

1. Shri Satish Loomba —*Deputy Secretary*
2. Shri T.K. Mukherjee —*Assistant Director*

The Chairman welcomed the members and placed the draft reports on the two bills, viz., (i) The Technology Development Board Bill, 1995; and (ii) Additional Duties of Excise (Goods of Special Importance) Amendment Bill, 1995 for the consideration of the Committee. The Draft Report on Additional Duties of Excise (Goods of Special Importance) Amendment Bill, 1995 was adopted unanimously by the Committee without any amendment. The Draft Report on the Technology Development Board Bill, 1995 was also adopted with minor linguistic changes. However, one member, Shri Bhogendra Jha, suggested the inclusion of Members of Parliament in the composition of the Board. Despite dissuasion by the other members, who were not in favour of this amendment, Shri Bhogendra Jha insisted on retention of this amendment to which the Committee did not agree. Consequently, Shri Jha gave a Note of Dissent.

The Committee authorised the Chairman to finalise and present the Reports to Parliament.

The Committee then adjourned.

THE ADDITIONAL DUTIES OF EXCISE (GOODS OF SPECIAL IMPORTANCE) AMENDMENT BILL, 1995

A .
BILL

further to amend the Additional Duties of Excise (Goods of Special Importance) Act, 1957.

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 Additional Duties of Excise (Goods of Special Importance) 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 Additional Duties of Excise (Goods of Special Importance) Act, 1957 (hereinafter referred to as the principal Act), in the long title, for the words, figures and letters "second report date the 18th December, 1989", the words, figures and letters "report dated the 25th day of November, 1994" shall be substituted. Amendment of long title.

3. In the principal Act, for the Second Schedule, the following Schedule, shall be substituted, namely:— Substitution of new Schedule for the second Schedule.

"THE SECOND SCHEDULE

(See section 4)

Distribution of additional duties

During each of the financial years commencing on and after the 1st day of April, 1995, there shall be paid to each of the States specified in column (1) of the Table below such percentage of the net proceeds of additional duties levied and collected during that financial year in respect of the goods described in column (3) of the First Schedule, after deducting therefrom a sum equal to 2.203 per cent,

of the said proceeds as being attributable to Union territories, as is set out against it in column (2) of the said Table:

Provided that if during that financial year there is levied and collected in any State a tax on the sale or purchase of the goods described in column (3) of the first Schedule, or one or more of them by or under any law of that State, no sums shall be payable to that State under this paragraph in respect of that financial year, unless the Central Government by special order otherwise directs.

TABLE

State	Percentage
(1)	(2)
Andhra Pradesh	7.820
Arunachal Pradesh	0.104
Assam	2.483
Bihar	7.944
Goa	0.232
Gujarat	5.995
Haryana	2.366
Himachal Pradesh	0.595
Jammu and Kashmir	0.856
Karnataka	5.744
Kerala	3.740
Madhya Pradesh	7.236
Maharashtra	12.027
Manipur	0.197
Meghalaya	0.188
Mizoram	0.079
Nagaland	0.137
Orissa	3.345
Punjab	3.422
Rajasthan	4.873
Sikkim	0.053
Tamil Nadu	7.669
Tripura	0.286
Uttar Pradesh	14.573
West Bengal	8.036

STATEMENT OF OBJECTS AND REASONS

The net proceeds of the additional duties of excise levied under the Additional Duties of Excise (Goods of Special Importance) Act, 1957, on sugar, tobacco, cotton fabrics, woollen fabrics and man-made fabrics in replacement of the States sales tax on these commodities are distributed in accordance with the provisions of that Act.

2. The Ninth Finance Commission in its second report relating to the period 1990—95 had determined the shares attributable to Union Territories

and each of the States on the basis of estimates of SDP average for three years 1982-83 to 1984-85 and 1981-census population and had indicated percentage share attributable to Union Territories and payable to each State. The present distribution among these States is governed by those recommendations of the Ninth Finance Commission.

3. The Tenth Finance Commission in its report has recommended percentages for *inter-se* distribution of the additional duties of excise pertaining years 1995—2000 amongst the States.

4. The Bill seeks to amend the Additional Duties of Excise (Goods of Special Importance) Act, 1957 for giving effect to the above recommendations of the Commission.

NEW DELHI;

The 4th May, 1995.

M.V. CHANDRASEKHARA MURTHY.