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Title : Motion for consideration of Union Duties of Excise (Electricity) Distribution Repeal Bill, 2006 (Bill Passed).

MR. DEPUTY-SPEAKER: We will now take up item no. 19. Shri P. Chidambaram.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Mr. Deputy-Speaker, Sir, I beg to move:

"That the Bill to repeal the Union Duties of Excise (Electricity) Distribution Act, 1980, be taken into consideration."

The Central Government had imposed excise duty on generation of electricity through the Finance Act, 1978 under the Central Excise and Salt Act, 1944. Subsequently, in terms of the recommendations of the Seventh Finance Commission, the Union Duties of Excise (Electricity) Distribution Act, 1980 was enacted to provide for the payment of sums equal to the net proceeds of the union duties of excise on electricity to the States^[k20].

The Eighth Finance Commission, in its Interim Report, recommended for the existing arrangement to continue provisionally during the financial year commencing on 1.4.1984.

The Union Duties of Excise (Electricity) Distribution Act 1980 was amended in 1984. In the Budget 1984-85, the Finance Minister proposed to abolish the excise duty on electricity effective from 1.10.1984. After Budget Proposals were approved by the Parliament, the Department of Revenue, by notification dated 1.10.1984, exempted electricity from the whole of duty of excise.

In view of this, the Union Duties of Excise (Electricity) Distribution Act 1980 has become obsolete and needs to be abolished from the Statute Book. The P.C. Jain Committee has also recommended the repeal of this Act. Hence, I am moving this Bill to repeal the Act.

MR. DEPUTY-SPEAKER: Motion moved:

"That the Bill to repeal the Union Duties of Excise (Electricity) Distribution Act, 1980, be taken into consideration."

SHRI TATHAGATA SATPATHY (DHENKANAL): Sir, the Union Duties of Excise (Electricity) Distribution Repeal Bill 2006 has been brought before this House. It again seems to be a very minor thing and as the hon. Minister said, there has been no collection for the State Exchequer from this Act. Therefore, the Government wishes to repeal this Bill.

I would support this because any obsolete law that needs to be changed to make matters more efficient, timely and updated should be done. We all support this. But there is a point that needs to be reminded and the Government has to take into consideration and that is the issue of States that produce electricity. States like Orissa, Bihar and other States, which produce electricity, which have vast amount of coal and other reserves, they are the States which suffer. It is in the sense that till now whatever electricity was being produced by NTPC and other Government companies that was transferred out of the States which produce the electricity and was sold in different neighbouring States.

For instance, electricity produced in Orissa was being sold in Andhra Pradesh, Pondicherry, Karnataka and many other places. It was given to the Grid and also we had a direct line, one of the longest transmission lines is from Talcher, which is part of my district, up to Karnataka. The pity is that the Government has never in the past considered the plight of the States, which produced electricity, which contributed the coal, which suffered from pollution. All that those States got in return was a meagre amount, which was given as a royalty for the coal that was used.

I would like to draw the attention of the Union Government, it is time electricity is bothering this Government a lot, for which we suddenly had George Bush come here and all efforts made, they changed colour and said that America is God, America is loving us like nobody else has ever loved us, we want to go in for nuclear energy. They started giving facts or factoid, as the word today is, which is half truth and half imagination that nuclear energy will solve the problems of this country.

So, when you are concentrating on energy, when you are concentrating on creating new sources of energy to enable the India of future to stand on its own legs, you also have to think of States which produce electricity and the suffering those people go through because of pollution and because of destruction of land^[Rs21].

In return, in the past, you have not done it. Now with this Repeal Bill, we will have to see what happens. We will have to see whether the excise duty that is collected from the States which are consuming electricity, will be transferred or shared along with the State that is producing electricity. This is something which I would like to underline and draw the attention of the hon. Minister of Finance. It should be taken note of.

The second point, and the last point, is that wherever electricity is being produced, the pollution and damage is so intense that it is necessary that apart from sharing the duties, you also take to task the organisations like NTPC that they come up with a handsome amount of money each year for peripheral development wherever they are producing. This is of prime importance and I would like to draw the attention of the Government, please do not neglect this and take care of this.

MR. DEPUTY-SPEAKER: Hon. Minister, would you like to say something?

SHRI P. CHIDAMBARAM: Sir, I would just like to respond briefly. Shri Tathagata Satapathy has raised issues which go far beyond the scope of this Bill. I think when the electricity is produced in a State where there are coal reserves, it is not correct to say that the State does not benefit at all. Royalties are given; a portion of the electricity generated is allocated to that State. If the demand for electricity in that State increases, surely the first right to electricity produced in that State would go to that State. The answer is not to complain about rise in demand elsewhere but to look at your own State and stimulate demand for electricity. If more industries are set up, if more households are electrified, if more investment takes place, the demand for electricity will pick up and electricity will be consumed in that State. The Centre does not discriminate between State and State in the matter of electricity. The Central electricity organisations like NTPC have done a yeoman job in this country. It is one of the most competitive and most effective...*(Interruptions)*

SHRI BRAJA KISHORE TRIPATHY (PURI): His point is different...*(Interruptions)*

SHRI P. CHIDAMBARAM: I have understood his point. You have not understood his point. I will explain it. Therefore, it is not correct to say that the State does not benefit. The question is this. Are we levying an excise duty in the consuming State? The answer is: 'No'. We are not levying any duty on electricity. When we levied that duty, we had to pay that money to the State concerned. When we are not levying the duty since 1984, the question of paying to the State where the coal reserves are does not arise. Therefore, since 1984, duties of excise on electricity have been abolished. This law is obsolete by 22 years. Therefore we are repealing this law.

SHRI BRAJA KISHORE TRIPATHY: Sir, it is not right. His point is that they are collecting duties from the electricity consuming States...*(Interruptions)*

SHRI P. CHIDAMBARAM: My learned friend should not say what is half correct. I have met his point. We are not levying any excise duty.

SHRI BRAJA KISHORE TRIPATHY: The State is suffering. What are we getting? We are consuming our own electricity...*(Interruptions)*

SHRI P. CHIDAMBARAM: Please consume more electricity. Who is preventing the States from consuming more electricity? But, you must have demand for that electricity.â€¦ *(Interruptions)*

It is not your coal. The coal belongs to the country. It happens to be located there.

SHRI BRAJA KISHORE TRIPATHY: That belongs to our State...*(Interruptions)*

SHRI P. CHIDAMBARAM: I do not agree with that proposition.

SHRI BRAJA KISHORE TRIPATHY: You are not providing us with financial package...*(Interruptions)*

SHRI P. CHIDAMBARAM: Sir, please ask the Member to resume his seat so that I can reply.

MR. DEPUTY-SPEAKER: Shri Tripathy, please take your seat.

...*(Interruptions)*

SHRI P. CHIDAMBARAM: Let me make it very clear that I do not concede the proposition that coal belongs to any State. Coal belongs to the country. It happens to be located in some States. Other States have other natural resources.

SHRI BRAJA KISHORE TRIPATHY: Coal belongs to State...*(Interruptions)*

MR. DEPUTY-SPEAKER: Please do not interrupt him.

...(Interruptions)

SHRI P. CHIDAMBARAM: It is his point of view. But he should not interrupt me and forbid me from stating my point of view. Coal belongs to this country. Coal is located in some States. Iron ore is there in some States. Other States have got other natural resources. The natural resources of this country have to be used for the benefit of the whole country. [r22]

13.00 hrs

If coal is there in one State, it is used for producing electricity, and the electricity is distributed throughout the country. ...(Interruptions) Please do not interrupt me.

I have already said about the benefits which a State gets. If the State has a demand for greater benefits, there is a mechanism by which that can be pressed. We are not levying excise duty on electricity. The question of compensating for that duty does not arise. The States are levying tax on the consumption of electricity. That is under the State List – List 2 of the Constitution. That is a power given to the State. The answer is, for the State where electricity is produced, to increase the consumption of electricity and benefit from the consumption of electricity. We cannot take a perverted view of matters. Increase the consumption of electricity and your State will benefit.

Sir, I request that this Act may be repealed.

MR. DEPUTY-SPEAKER: The question is:

"That the Bill to repeal the Union Duties of Excise (Electricity) Distribution Act, 1980, be taken into consideration. "

The motion was adopted.

MR. DEPUTY-SPEAKER: Now, the House will take up clause by clause consideration of the Bill.

The question is:

"That clauses 2 and 3 stand part of the Bill".

The motion was adopted.

Clauses 2 and 3 were added to the Bill.

Clause 1, the Enacting Formula and the Long Title were added to the Bill.

MR. DEPUTY-SPEAKER: Now, the hon. Minister may move that the Bill be passed.

SHRI P. CHIDAMBARAM: Sir, I beg to move:

"That the Bill be passed."

MR. DEPUTY-SPEAKER: The question is:

"That the Bill be passed."

The motion was adopted[r23].

MR. DEPUTY-SPEAKER: They have supported you thoroughly.

SHRI P. CHIDAMBARAM: Thank you, Sir.

