

**SPEECH OF SHRI MORARJI R.DESAI, DEPUTY PRIME MINISTER AND
MINISTER OF FINANCE, INTRODUCING THE BUDGET FOR THE YEAR
1969-70**

Sir,

I rise to present the first Budget of the Fourth Plan period. In doing so, I feel somewhat handicapped as the Plan document is not yet available to Honourable Members. I am, therefore, left to perform the traditional role of a Sutradhar who must make a brief appearance on the stage before the start of the play to arouse the interest of the audience. I hope I will not disappoint Honourable Members at least on the score of brevity.

INTRODUCTION

2. The year that is now drawing to a close has been a good one for the Indian economy. The expectation in my last Budget speech that, given the right policies, 1968-69 could become a year of revival has been largely fulfilled. For the second year in succession, it should be possible to reap a satisfactory harvest. There are distinct signs of an industrial revival and industrial Production should register an increase of almost 6 per cent. Transport activity and trade have revived; and there have been no serious shortages of power or raw materials. The general price level now is somewhat lower than last year. There has been a remarkable increase in exports. Imports are now being replaced by domestic production over a wide front as a result of the efforts made over successive Plan periods. Despite heavier repayment obligations and somewhat lower utilization of foreign aid than in 1967-68, it should be possible to close the current year without any material variation in our foreign exchange reserves. Against this background of a new dynamism in agriculture, industrial revival, restoration of Price stability and progress towards self-reliance, it is possible now to approach the next Plan period with a measure of confidence. All the same, there are a number of factors which limit considerably the area of choice before us in the immediate future.

3. While food production has increased, we have still a long way to go before we can assure satisfactory levels of consumption for our growing population. Imports of agricultural raw materials and foodgrains are still sizeable. Investments in agriculture, including those in research, inputs such as fertilizers and water and provision of credit and storage facilities must, therefore, have a prior claim on our limited resources matched only by the attention to family planning.

4. The substantial development of capital goods industries that has already taken place makes it necessary as well as feasible to step up investment outlays. But rising levels of investment can be achieved without inflation only on the basis of a growing volume of production of essential consumer goods. This requires not only a

steady Improvement in agricultural productivity but also greater efficiency and expansion of capacity in consumer goods industries. Attention to these industries is all the more important as they help stimulate the motivation for higher productivity and contribute to growth of public revenues.

5. In a year that is dedicated to the memory of the Father of the Nation, we cannot but remind ourselves that the ultimate objective of economic development is to serve certain larger social values. We have, therefore, to respond also to the natural urge of our people for basic amenities, such as drinking water, for education and medical aid, for opportunity to work and indeed for a growing measure of equality in general which is the essence of a socialist society.

6. On the external front, the improvement has been as notable as it is welcome; yet, export earnings amount only to two-thirds of our current import requirements. There cannot, therefore, be any complacency in regard to export promotion or Import substitution. The abnormal circumstances of 1965-66 and 1966-67 have led to a decline in the rate of saving in the economy. Despite substantial efforts to mobilize resources and considerable restraint on expenditure, the financial position of the Government has weakened over the past few years.

7. In short, general economic conditions in the country are propitious for resuming the threads of progress over a wide front during the next Plan period. Equally, however, there is need for the right balance between consumption and investment, resources and outlays, economic growth on the one hand and external viability on the other and indeed between larger social values and purely economic considerations. Honourable Members will now appreciate why economic planners are often regarded as some of the finest exponents of the art of tight-rope dancing.

REVISED ESTIMATES 1968-69

8. Having outlined briefly the current economic situation and the tasks ahead without, I hope, stealing the show from the Planning Commission, I must now turn to the more mundane matters which fall to the lot of Finance Ministers. In the Revised Estimates for 1968-69, customs revenue will show a shortfall of Rs.94 crores as compared to the Estimates presented last February. Union excise duties and income-tax, on the other hand, are expected to yield Rs.54 crores more. After making allowance for non-tax revenues, total revenue receipts accruing to the Centre are likely to show a shortfall of Rs.11 crores only as compared to the anticipated realisation of Rs.2760 crores.

9. Revenue expenditures are likely to exceed the Budget Estimates of Rs.2629 crores by Rs.116 crores. Almost half of this increase, however, represents a purely accounting change which is balanced by a corresponding gain on capital account. Another Rs.49 crores is accounted for by additional defence expenditure on revenue account. This is the result of increases granted during the year in allowances to certain categories of service personnel, the dearness allowance which became due last

September, the recent decision to merge a part of the dearness allowance with pay and speedier deliveries of stores against existing orders. On capital account, there has been a reduction in defence expenditure of Rs.13 crores. Honourable Members would see that barring the increase under defence and transactions of a purely accounting nature, revenue expenditure has been held within less than 1 per cent margin of the Budget Estimates.

10. On capital account, the variations have been of a more substantial order. Net external assistance will show a shortfall of Rs.121 crores and PL 480 and other food aid a shortfall of Rs.43 crores. This would be offset to an extent by Improvement under market loans, reduction in the provision for transactions in foodgrains and fertilizers and some shortfall in Plan outlays. There are also a number of variations in other Items which make on balance for an Improvement in the resources position.

11. In the aggregate, the budgetary deficit this year is now estimated at Rs.260 crores as against Rs.290 crores in the Budget Estimates. Honourable Members, I am sure, would not consider this 10 per cent variation in deficit financing as an index of conservative budgeting on my part.

BUDGET ESTIMATES 1969-70

12. In the Budget Estimates for 1969-70, I have assumed that at existing rates of taxation, total revenues accruing to the Centre will increase by Rs.151 crores. I anticipate a further decline in customs receipts from Rs.445 crores this year to Rs.426 crores in 1969-70. This reduction is based on the expectation that while there would be some increase in total non-food imports, there would be a shift away from items such as petroleum products which bear duties at a higher rate. Union excise duties are expected to show an increase of Rs.101 crores. Corporate and income taxes should yield Rs.675 crores as against Rs.660 crores this year. Non-tax revenues should also yield Rs.50 crores more.

13. The increase in revenue will, however, be more than absorbed by increases in expenditure on revenue account. Defence expenditure on revenue account will be more by Rs.42 crores. Excluding certain accounting adjustments, the non-Plan civil expenditure will be more by Rs.142 crores. Of this Rs.41 crores are accounted for by interest charges. The Fifth Finance Commission's recommendations have necessitated an additional devolution of Rs.36 crores to the States. Committed expenditure arising out of completed Plan schemes has meant an increase of nearly Rs.35 crores. Export promotion measures account for another increase of Rs.10 crores. Various miscellaneous Items, including administrative services, tax collection and assistance to neighbouring countries account for the rest of the increase. Detailed explanations have, as usual, been given in the Explanatory Memorandum.

14. On capital account, net market borrowings next year are estimated at Rs.106 crores as against Rs.81 crores this year. Small savings are placed at its.135 crores, i.e., Rs.10 crores more, but of this nearly two-thirds will accrue to the States.

The Public Provident Fund should yield Rs.5 crores next year as against Rs.2 crores this year. On the other hand, as the author of the once famous but now almost forgotten Compulsory Deposit Scheme. I propose to redeem myself by making full provision of Rs.25 crores for the repayment of the deposits made in 1963-64.

15. Net external aid, excluding PL 480 and other food aid, should show a marginal increase from Rs.459 crores this year to Rs.467 crores in 1969-70. While debt repayments would be larger, we expect an increase in aid disbursements also mainly as a result of resumption of aid by the International Development Association.

16. In December 1968, we signed an agreement with the United States Government under PL 480 for the import of 2.3 million tonnes of foodgrains. In addition, we have continued to receive food assistance of a sizeable order from Canada as also some assistance under the International Grain Arrangement from Australia and the U.K. A substantial part of the food assistance thus negotiated will result in imports only next year. Honourable Members would also appreciate that arrangements for the concessional imports of foodgrains and agricultural raw materials will be necessary for some more time. Consequently, the net budgetary support accruing as a result of PL 480 transactions and other food aid, excluding PL 480 grants already accounted for in the revenue estimates, is placed at Rs.224 crores next year as against Rs.226 crores this year.

17. The improvements under internal borrowing and external assistance, just mentioned, i.e., Rs.13 crores in all, will be more than absorbed by the increase in defence expenditure on capital account, Rs.17 crores and on border roads, Rs.4 crores.

18. As regards other capital transactions, the food and fertilizer transactions together show an improvement of Rs.76 crores. Total stocks of foodgrains with the Food Corporation at the end of March 1969 should be of the order of 3.5 million tonnes. During the coming year, we propose to add another 1.5 million tonnes to these stocks. It is our intention to provide budgetary resources of Rs.25 crores in 1969-70 for this purpose. The balance of the requirements will be provided by way of accommodation to the Food Corporation from commercial banks.

19. The improvement under foodgrains and fertilizer transactions, however, will be wiped out by the increases in revenue and capital expenditure already mentioned and worsening under various miscellaneous debt-deposit heads. I have also had to provide for some relief to States by way of adjustment in their repayments to the Centre and assistance towards the non-Plan gaps of some of the States to enable them to undertake a satisfactory Plan next year. In the net, the resources available, at the existing rates of taxation and on the basis of the likely availability of internal borrowing and external assistance, leave practically no margin for increasing the provision for the Plan to be financed through the Centre's Budget next year.

20. The budgetary contribution of public sector undertakings next year is also not likely to show any significant improvement over the current year. The question of

better functioning of public sector undertakings has been examined in detail by the Administrative Reforms Commission as well as by the Bureau of Public Enterprises. Government have already taken a number of decisions to Improve the working of these enterprises and I am separately circulating a memorandum on this subject to Honourable Members.

21. Honourable Members may well ask whether the margin of resources available for the Plan could not have been increased by economies in non-Plan expenditure. I have given the most careful thought to this question in framing the expenditure estimates for the coming year. But Honourable Members would appreciate that a certain increase in non-Plan expenditure is inevitable as It arises from contractual obligations or decisions already taken. The transfer of completed Plan schemes to the non-Plan side, interest charges, export promotion, the incidence of dearness allowance, the merger of dearness allowance with pay and the recommendations of the Finance Commission which belong to this category account for the bulk of the increase in civil expenditure. The increase of Rs.59 crores in defence expenditure is explained mainly by normal increases in salaries and pensions, the additional dearness allowance which became due last September, merger of dearness allowance with pay, additional equity investment in the production units under the charge of the Defence Ministry and larger deliveries against contracts already entered into.

22. I should perhaps also say a word at this stage about the scope for deficit financing next year. This scope cannot be defined in terms of the needs of the Budget. It has to be determined in relation to the needs of the economy in the light of the likely growth in production and the saving habits of the people. Taking everything into account, I have come to the conclusion that a budgetary deficit next year of roughly the same magnitude as this year is likely to reconcile best the concern for price stability and the maintenance, of a climate for growth.

23. It is against this background that I come now to my proposals for resource mobilization for the coming year. In framing these proposals, however, I have not adopted the simple approach of deciding first on a certain desired level of Plan outlay and of proceeding then to raise resources on the required scale. There are limits beyond which resources cannot be raised in the short-run without impairing the functioning of the economy. Equally, the annual Budget has to take into account not only the needs of the year but the requirements of long-term growth as well. The approach, in other words, has to be one of making such changes in the tax structure as are necessary and feasible to build up the ability of the Government-and even more important of the economy in general-to sustain progressively larger developmental outlays and of limiting the expenditure proposals in the short-run to the total resources that can be so mobilised.

24. Honourable Members would now naturally be anxious to see how well I measure up to my own standards. I hope that in passing judgement, the customary indulgence towards Finance Ministers will not be denied to me merely because this

predicament of being held up before my own mirror is not altogether unfamiliar to me in this Honourable House.

PART B

25. Broadly speaking, my tax proposals are intended:
- (a) to provide a measure of relief where necessary, particularly in the interest of exports, savings and modernisation of key industries.,
 - (b) to remove anomalies;
 - (c) to provide a further measure of rationalisation and simplification;
 - (d) to plug the loopholes which make for tax avoidance or evasion;
 - (e) to spread the burden of taxation more evenly by bringing within the tax net commodities or incomes which are hitherto not taxed or taxed lightly in relation to essentiality of consumption or capacity to pay; and
 - (f) generally, to make the tax system more responsive to the needs of economic growth.

Before Honourable Members conclude that I am about to serve them a rich fare, I should reassure them that I propose to bring up my appetizers at suitable intervals. I shall also concentrate on the main courses, leaving the sundries to be discovered in the Explanatory Memorandum.

CUSTOMS DUTIES

26. To begin with, an export offering to propitiate the gods of international competition. I propose to reduce the export duty on jute hessian from Rs.500 per tonne to Rs.200 per tonne. The duty on jute sacking is also proposed to be reduced from Rs.250 per tonne to Rs.150 per tonne, while the duty on wool sacks and cotton bagging is being completely exempted. The export duty on tea is being reduced from 20 per cent less 35 paise per kilogram to 15 per cent less 55 paise per kilogram. The duty on degreased raw wool and on package tea in metal containers is being completely exempted while the duty on package tea in other containers is being reduced from 15 per cent to 5 per cent. The export duty on mica is proposed to be reduced from 40 per cent to 20 per cent in respect of loose splittings of smaller size. The total effect of these reductions will be a loss in revenues of Rs.23 crores per year.

27. Generally, we levy an import duty of 100 per cent ad valorem on all items of luxury. The duty on Imported motor cars is 60 per cent. I propose to improve the value of imported motor cars as a status symbol by increasing the duty to 100 per cent.

In the case of dry fruits, the present valuation for calculating the duty is unrealistic. I propose to adopt a more realistic basis for valuation which will have the effect of raising the duty realisation. The import duty on lubricating oil is being raised from 15 per cent to 271 per cent to bring it in line with the duty on their constant companion, viz., machinery, and to give an edge to their domestic rivals. These changes will bring in a revenue of Rs.6.2 crores.

28. We levy a countervailing import duty whenever a commodity is subject to excise. We also have power to levy a countervailing duty in lieu of the excise on the raw materials and components used in any excisable item. No such power exists when the commodity itself is not excisable. I propose to take power to remedy this omission, in the interest of import substitution. In certain cases such as bearings, ship stores and imports by post or air for personal use, multiplicity of rates or classification depending on use causes unnecessary delay and annoyance; and I propose to rectify this also.

EXCISE DUTIES

29. Coming to Excise Duties, it is now generally recognised that ad valorem duties are more rational than specific duties whose incidence declines during periods of rising prices and increases when prices fall. Ad valorem duties can also act as a spur to reduction in costs and prices. I propose, therefore, to convert the existing specific rates into ad valorem rates for cement, vegetable products, electric fans, lighting bulbs and tubes, soaps, soda ash, caustic soda and sodium silicate. Despite the necessity of rounding, I have resisted the temptation of collecting in the process any appreciable crumbs for the Exchequer.

30. But every rule has an exception; and I have been helped by one special circumstance in deciding on the exception to prove this particular rule. In the case of sugar, we have now a price for controlled releases and a free market price. The incidence of the present specific duty when converted into an ad valorem rate, would obviously give two different rates. In choosing between the two rates, I have shown some partiality for the controlled releases on which the present basic and additional duties work out approximately to an ad valorem rate of 23 per cent on an average. I have applied this rate to all crystal sugar. As a result, there will be no change in the average price of controlled sugar with only marginal variations in the different zones. Correspondingly, the duty on Khandsari is proposed at 121 per cent ad valorem with suitable revisions in existing compounding rates. I hope Honourable Members would not object to free market sugar being taxed at the same ad valorem rate as controlled sugar merely because it has the incidental effect of an additional revenue of Rs.27.45 crores.

31. I propose to levy an excise duty at the rate of 10 per cent ad valorem on specified domestic electrical appliances and processed food. Honourable Members will recall that last year a duty at the rate of one paise each was imposed on crown corks. I propose now to unite kings and commoners by an extension of the levy to other similar devices for covering bottles, and containers. The levies on electrical appliances, processed food and pilfer-proof caps will bring in a revenue of Rs.4 crores.

32. Honourable Members would agree that those who benefit by our substantial investments in agriculture, including research, irrigation facilities, fertilizer plants, rural electrification, credit facilities and support prices should contribute a part of their prosperity towards the cost of development in general. This is all the more so when the benefit of improved technology cannot yet be shared by the majority of our farmers, particularly in dry regions where fertilizers and new seeds are not easy to apply. Similarly, the facilities for lift irrigation by power driven pumps are not spread uniformly. If the benefits of the new agricultural technology are to be carried progressively to a growing proportion of our farming population, the resources needed for this purpose should come at least in part from the beneficiaries of the process. Against this background, I propose to levy an excise duty of 10 per cent ad valorem on fertilizers and 20 per cent ad valorem on power driven pumps with a revenue yield of Rs.24 crores of which Rs.22 crores would be in respect of fertilizers.

33. It is obviously time new for me to turn to appetizers once again. As Honourable Members are aware, the cotton textile industry is going through a difficult time. Some relief in the excise duty is, therefore, called for. The excise duty on yarn in the form of hanks of plain straight reels is being abolished in respect of certain counts and lowered in respect of certain other counts. This should benefit the handloom sector. The powerloom sector will benefit by the abolition of the differential duty on sizing even though the duty on unsized yarn of some counts in the fine and superfine category is being increased. Further, duty on grey fabric is proposed to be abolished and the processing surcharges reduced by five paise per square metre on all varieties of Medium A and non-controlled Medium B and coarse categories of fabrics. This relief would very substantially benefit the weaker cotton mills. The total effect of all the relief proposed will be about Rs.15.30 crores.

34. About Rs.9.5 crores of this loss would, however, be made up by levying a higher duty of 5 paise per square metre on superfine and fine and 2.5 paise per square metre on all other categories of printed fabrics except the controlled ones and by selectively levying an ad valorem duty of 15 per cent on costlier varieties of fabrics such as sultings, tapestry and furnishing fabrics, turkish towels and others which at present bear a low incidence of duty in relation to their price. In addition, I propose to double the existing compounded levy on powerloom fabrics and to rationalise the duty structure on fents.

35. The duty on nylon yarn in the lower deniers is being reduced and this would be compensated to some extent by an increase in some of the higher ones. The net effect will be a drop in revenue of Rs.3.9 crores. This concession should help towards eliminating smuggling of nylon yarn about which there has been genuine concern.

36. The duty on confectionery, but not on chocolates, is being reduced from 80 paise per kilogram to 30 paise per kilogram. The duty on electronic valves, transistors and semi-conductor diodes used as components by radio manufacturers is being halved. Low priced sets manufactured by the large manufacturers in the organised sector will,

however, bear a duty of Rs.10 per set. In the case of steel ingots and products manufactured out of scrap by electric furnace owners, I propose exemption to the extent of the ingot duty. The duty on embroidery, which is proving rather heavy, is being reduced. I am assured on good authority that in the topsy-turvy world of the cinema, the highest achievements of subtlety belong to those who are accustomed to think in terms of black and white. Accordingly, I propose to give some relief to the black and white cinematograph films and raise the incidence on colour films. I also propose to levy a nominal duty of two paise per metre on unexposed cinema films. The overall effect of the somewhat mixed bag of concessions on confectionery, component parts of radios, scrap based steel ingots, embroidery and cinema films will be a revenue loss of Rs.3.13 crores.

37. To return to more familiar ground, I think the time has come when some of the old faithfuls of indirect taxation everywhere such as cigarettes and motor spirit are relieved of their annual agony. One way of achieving this is to raise the duties sufficiently. I must confess that I did not do a neat enough job in this regard in my last two Budgets. Accordingly, I propose to increase the duty on motor spirit by 7 paise per litre and on cigarettes by 6 per cent to 18 per cent ad valorem in the different value slabs with a revenue of Rs.29.84 crores. The duty on superior kerosene, which is being increasingly used as an adulterant for motor fuels, is also being raised by 4 paise per litre with a yield of Rs.14.40 crores.

38. The basic excise duty on jute manufactures is being raised by Rs.100 per tonne so as to yield a revenue of Rs.4.95 crores. The duty on cellulosic and non-cellulosic staple fibres is being raised by 20 paise per kilogram and Rs.12 per kilogram respectively. The duty on rayon yarn is also being raised by about 10 per cent of the existing rates in all except the industrial deniers and the margin of concession in the rates of duty available to small producers compared to large producers of rayon yarn is being reduced. These proposals on synthetic fibres and yarn will yield an additional revenue of Rs.9.37 crores annually. It is also my intention to transfer the duty on woollen yarn to wool tops; and to begin with, I am levying a small duty on wool tops with a yield of Rs.6 lakhs.

39. The cumulative effect of all the proposals relating to excise duties including a few sundries will be an additional revenue of Rs.104.57 crores in a full year of which Rs.79.95 crores will go to the Centre and Rs.24.62 crores will be the States' share. As a result of the proposals relating to excise duties, there will be an additional yield of Rs.26 crores on account of countervailing duty most notably on fertilizer imports.

40. The scheme of self-assessment and removal introduced since June 1968 has worked well and I propose to extend it as soon as possible to most excisable commodities.

DIRECT TAXATION

41. In regard to corporate taxation, I propose to extend the tax holiday concession for new industrial undertakings and ships for a further period of five years from April 1, 1971 to March 31, 1976. I have also come to the conclusion that the familiar instrument of development rebate need not be abandoned or replaced by fancier alternatives. Accordingly, the development rebate will continue to be admissible, but in respect of machinery and plant installed after 31st March, 1970, the reduced rates already provided in the law will apply. The ceiling in the Companies (Profits) Surtax Act on the aggregate corporation tax payable by, a widely-held domestic company at 70 per cent of its total income has now become meaningless. But it still continues to mislead people as if the virtually non-operative ceiling is the norm. Accordingly, I propose to do away with this ceiling. Public companies whose shares are listed in a recognised Stock Exchange in India will now be treated as widely-held companies.

42. In order to minimise the repetitive Import of technology and indeed to encourage the development of local know-how, I propose to tax income derived by Indian companies from the transfer or servicing of such know-how on a concessional basis. To encourage the modernisation of two of our important export industries, viz., cotton and jute textiles, I propose to include them in the list of priority industries for the purpose of the development rebate.

43. I propose to introduce later this Session a comprehensive Bill to amend the income-tax Act and other related enactments. In that Bill, I intend to provide for amortization, over a 10-year period, of promotional expenses and expenses on project report, market surveys, etc. In the case of Indian companies, which are not at present eligible for any depreciation allowance or other deduction. The amount to be amortized will be limited to $2\frac{1}{2}$ per cent of the project cost. The classification of different items of machinery, for the purposes of depreciation, is also being considerably simplified, and the general rate for plant and machinery is being raised from 7 per cent to 10 per cent.

44. In order to bring about a smoother progression in the tax rates on personal incomes, I propose to make a marginal increase in the rate of tax on incomes in the slab of Rs.10,001 to Rs.15,000 by 2 per cent from 15 per cent to 17 per cent, and on incomes in the slab of Rs.15,001 to Rs.20,000, by 3 per cent from 20 per cent to 23 per cent. The full effect of these increases will fall on tax-payers having incomes of Rs.20,000 or more and, taken together with the surcharge of 10 per cent of the basic income-tax, the additional tax will amount in each such case to Rs.275 per year. These changes are expected to yield, in a full year, an additional revenue of Rs.13.82 crores.

45. I propose to simplify and rationalise the taxation of co-operative societies. In the case of registered firms, I propose to increase taxation slightly by introducing a new slab of income between Rs.10,001 and Rs.25,000 on which the rate of basic

income-tax will be 4 per cent. This change will yield in a full year additional revenue of Rs.4.32 crores.

46. I have a special word of cheer for authors, artists, play-wrights, musicians and actors. In their case, 25 per cent of the professional income derived from a foreign source and received in India. In foreign exchange will be deducted from taxable income. In case this creates apprehensions of cultural drain, I would remind Honourable Members that the best things in life are generally for export.

47. Honourable Members are aware that there has been renewed interest in the equity market on the part of genuine investors. In order to encourage this trend. I propose to raise the exemption from tax enjoyed by dividend incomes from Indian companies from Rs.500 at present to Rs.1,000 per year. This will bring investment in shares in Indian companies in line with investment in units of the Unit Trust. I also propose to extend the area of existing tax relief in respect of life insurance premiums.

48. Agricultural wealth has so far been exempt from wealth tax. This has encouraged purchase of such land by the richer professional and business classes. While this has often acted as a spur to greater productivity in agriculture, there is no case in equity for taxing other productive wealth but exempting wealth in the form of agricultural land. I am advised by the Attorney General that the Parliament is competent to legislate for the levy of wealth tax on agricultural wealth. Accordingly, I propose to provide in the Wealth Tax Act for the levy of wealth tax on the value of agricultural land including buildings situated on or in the immediate vicinity of such land. Standing crops, tools, Implements and equipment such as tractors will, however, be exempt. Agricultural wealth will be added to other wealth for the purposes of the tax at the existing rates with effect from the assessment year 1970-71. This measure will yield additional revenue of Rs.5 crores in a full year. But in view of what I have just said, there would be no revenue gain in the coming year. It is my intention to pass on the net proceeds of the revenue of wealth tax on agricultural property to the States as grants-in-aid.

49. I am proposing a number of changes in the scheme of advance tax payments so as to make it more effective and also to reduce the burden of compliance on small-income tax payers. I am also proposing certain changes in the scale of penalties under the Wealth Tax Act for failure to furnish returns of net wealth and to produce accounts, documents, etc. Another change proposed is meant to ensure the smooth working of the provision made last year for greater use of the banking system in making payments for business expenditure.

50. Honourable Members are aware that ordinarily it is not possible for individuals to escape taxation on their income by transferring their assets to their spouse or minor children. This is, however, often circumvented by use of the special provisions relating to taxation of a Hindu undivided family as a separate unit. I intend to close this loophole by making a suitable provision in the Amendment Bill.

51. Altogether, the changes in direct taxation that I have proposed will yield an additional revenue next year of Rs.11 crores for the Centre and Rs.2.5 crores for the States.

POSTS AND TELEGRAPHS

52. The Posts and Telegraphs Department will again run into a deficit next year. It is, therefore, proposed to revise from dates to be notified certain telephone and telegraph tariffs based broadly on the recommendations of the Tariff Enquiry Committee. A memorandum showing the proposed changes is being circulated along with the Budget papers. The telephone rentals in the four principal cities of Bombay, Calcutta, Madras and Delhi as also for other exchanges will be raised. The Directory enquiry service, which was hitherto free will be charged. The additional charge for Particular Person and Fixed Time trunk calls will now be uniformly 50 per cent of the basic charge. Increases are also proposed on greetings telegrams, multiple telegrams and telex and a few other services. These changes are expected to yield in a full year Rs.6.46 crores, and would be just sufficient to cover the anticipated revenue deficit. The effect of these changes has been accounted for in reckoning the total internal resources of public undertakings.

SUMMING UP

53. To sum up, the net additional revenue accruing to the Centre next year from the measures of taxation I have proposed would be about Rs.100 crores, of which Rs.11 crores would be under direct taxes, Rs.80 crores under excise duties and Rs.9 crores under customs duties after allowing for the reduction of Rs.23 crores in export duties. In addition, a sum of about Rs.27 crores will accrue to the States.

54. I may now summarise the Centre's resources position for the next year. The total gross revenue, after taking into account the additional taxation measures, is estimated at Rs.3,519 crores, of which Rs.519 crores will accrue to the States leaving Rs.3,000 crores for the Centre. Non-Plan expenditure on revenue account, including grants to States, interest charges and defence expenditure, is placed at Rs.2,558 crores, leaving a non-Plan revenue surplus of Rs.442 crores. Next year's market borrowing and external borrowing, net of repayments, are estimated at Rs.106 crores and Rs.691 crores respectively. After taking into account the transactions under miscellaneous debt deposit heads and after providing for non-Plan capital expenditure and loans, including buffer stock provision and cash losses of some public-sector undertakings, the resources on capital account will be Rs.1,046 crores. The Centre's budgetary resources for the Plan are accordingly Rs.1,738 crores, including Rs.250 crores of deficit financing. In addition, the public-sector undertakings, including the Railways and Posts & Telegraphs, are expected to find Rs.165 crores for the Plan out of their own resources. The total availability of resources for the Plan next year, exclusive of the States' resources, will thus be Rs.1,903 crores. Of this Rs.615 crores have already been earmarked for Plan assistance to the States and Rs.65 crores to the Union Territories, leaving Rs.1,223 crores for the Central Plan proper including the Centrally sponsored schemes.

55. Next year's Budget makes a total Plan provision of Rs.1,738 crores of which Rs.402 crores are in the revenue budget and Rs.1,336 crores are in the capital budget. The provision on revenue account includes Rs.185 crores as grants-in aid for State Plan schemes, being 30 per cent of the block Central Plan assistance payable from next year as against an average of 20 to 25 per cent at present. The rest of the Plan provision in the revenue budget is on account of Union Territories Plan as also Central Plan. The Centrally sponsored schemes account for a provision of Rs.117 crores taking revenue and capital sections together.

56. The Central Plan next year makes a larger provision as compared to the current year for steel production, ports, petrochemicals, fertilizer plants, development of Iron ore mines for export and copper and aluminium production. In the main, the increase in outlay reflects the higher tempo of activity on continuing schemes. Even so, it will give a fillip to industries engaged in construction activity and specially the engineering industries. It is also proposed to accelerate the programme of construction of storage for foodgrains. The institutional arrangements for agricultural credit, particularly for fertilizer distribution and rural electrification, are being strengthened with necessary budget support. Larger outlays have also been proposed for family planning.

57. Sir, I cannot emphasise too strongly that my tax proposals and the modest increase in Plan outlays next year should be considered against the background of the severe constraint on our resources. For the past few years, the surplus on revenue account has been declining. For the next year, a revenue deficit of Rs.60 crores at existing rates of taxation to anticipated in the Centre's Budget. Even after the proposed measures of additional taxation, the deficit will be converted into a surplus of Rs.40 crores only. On capital account, the position has not shown undue deterioration only because food assistance has been maintained at a high level due to spill-over of imports from this year to next year. As self-reliance in foodgrains to be achieved, this resource will progressively dwindle; and If development outlays are not to be curtailed unduly, other measures of raising resources will have to be devised. Honourable Members will also appreciate that the all-pervasive objectives of growth with social and political stability and increasing self-reliance cannot be achieved by budgetary policy alone. It will require the disciplined participation of every section of the community and every region of the country. Only so we can carry this great nation forward in the struggle against mans poverty which is as rewarding as it is arduous. I can only hope that the Budget I have had the honour to present makes a modest contribution towards this end.

Thank you.

(February 28, 1969)