

**SPEECH OF SHRI PRANAB MUKHERJEE MINISTER OF FINANCE
INTRODUCING THE BUDGET FOR THE YEAR 1983-84**

Sir,

I rise to present the Budget for the year 1983-84.

2. The Economic Survey for 1982-83, placed before the House a few days ago, has given a detailed account of the trends in Indian economy during the current year. I shall, therefore, be brief in reviewing the economic situation..

3. A drought year is always a difficult one for the economy. The decline in agricultural production that the drought entails has an effect which goes beyond the rural sector. The drop in the purchasing power of our farmers exerts a deflationary influence on industry. The drought also affects power generation and has an adverse impact on the external payments. It reduces the resource base and at the same time it calls for an increase in relief expenditure. The performance of the Indian economy in the year that is ending has to be viewed against this background. That we have come through it without too much damage to our productive structure and achieved remarkable success in containing price inflation is a tribute to the resilience of our economy. It also demonstrates the effectiveness of our policies of continued demand restraint and judicious supply management.

4. Although the growth in gross domestic product this year will be lower than it has been in the two previous years, we will achieve an average growth rate of nearly 5 per cent over the three years, which is close to the target we set for ourselves in the Plan. At the same time, we have been able to maintain the tempo of investment. In other words, serious as has been the impact of drought, I believe we have not allowed it to affect the pace of development.

5. Let me now recapitulate the main highlights of the economic situation in 1982-83. On a point-to-point basis, the increase in the wholesale prices in the last week of January was 3 per cent compared with the annual rate of inflation of 5.7 per cent at the same time last year. The annual rate of increase in the consumer price index, as of December 1982, was also significantly lower - 8 per cent as against 12.7 per cent in December, 1981. The lower rate of inflation this year is particularly noteworthy considering that wholesale prices had increased on an average by 2.4 per cent per month in June and July 1982 because of speculative pressures generated by the delay in the monsoon. However, as a result of an appropriate mix of demand and supply management policies, the situation was speedily brought under control.

6. Monetary policy continued to be deployed flexibly. The emphasis was on

the need for restraint while at the same time it sought to meet productive requirements for credit. On the supply side, action was taken to build up stocks and improve availability of foodgrains through timely imports. Procurement efforts were stepped up so that the impact of a fall in the kharif output on stocks of foodgrains could be minimised. Higher releases of sugar and edible oils were also arranged. These and other supply management policies contributed significantly to the dampening of inflationary pressures after August 1982.

7. As I have so often emphasised in this House in respect of the price situation, there can be no room for complacency. The supply and demand situation in respect of sensitive commodities remains in delicate balance. While we have successfully weathered the immediate impact of the drought, we must remember that its effects are likely to be spread over a longer period than one season or one year. The international situation continues to be full of uncertainty and should there be a resurgence of inflation abroad, particularly in respect of commodities that we import, it could easily disturb our domestic price situation. We must also remain vigilant against anti-social elements, hoarders and black marketeers.

8. The kharif foodgrains production will be lower than last year because of adverse weather conditions. The indications, however, are that the rabi production may be somewhat better than last year. The output of cotton is likely to be close to the level of last year, while some decrease is expected in sugarcane and jute production. The target of 2.35 million hectares for increase in the irrigation potential in 1982-83 is likely to be achieved. While the agricultural sector continues to be influenced by the vagaries of the weather, over the long run, we have been able to increase output significantly and to reduce the disruptive effects of a drought on the economy. This has demonstrated the basic soundness of our agricultural strategy of extending the irrigated areas, encouraging the use of fertilisers and high yielding varieties, widening the credit network, and ensuring fair and remunerative producer prices for the major crops.

9. Industrial production increased by 8.6 per cent in 1981-82. In the current year, the increase is likely to be about 4.5 per cent. For the period, April to December 1982, impressive increases were recorded in respect of critical industries, such as crude petroleum, which increased by 30.6 per cent, cement (10.2 per cent), fertilisers (9.6 per cent), and power generation (7.2 per cent). It is particularly heartening that thermal generation has shown substantial improvement and the plant load factor of thermal plants has also improved from 45.9 per cent during April - December 1981 to 47.6 per cent this year. Sugar production is expected to be close to the record level of last year. The overall rate of growth in industrial production was, however, adversely affected by a sharp drop in output of cotton cloth and yarn. Certain other sectors of industry also showed relatively low rates of growth because of slack demand or factors such as power constraints particularly in areas dependent on hydro-electricity.

10. Over the last thirty years significant progress has been made in expanding

and diversifying our industrial structure the investment climate is highly favourable and capital issues during the year have reached a record level. However, In order to accelerate and sustain a higher growth rate of production, it is essential that the corporate sector should pay greater attention to improving its own rate of savings by better utilisation of capacity and economy in conspicuous and wasteful expenditure. If the increasing requirements of funds for investment are to be adequately met, the corporate sector must learn to look towards a larger volume of internal generation of resources. Borrowing can only supplement and not substitute corporate savings.

11. It is also essential to improve the productivity of past investments and reduce costs. Capital costs in the economy have increased, and due to delay in the implementation of projects, there is a decline in the returns that the community can legitimately monitor closely project implementation and operational efficiency. As Hon'ble Members are aware, there has been a marked improvement in the working of many public sector enterprises though some units continue to face problems. Net profits of public sector units in the first nine months of this year increased to about Rs.360 crores compared with Rs.134 crores during the same period last year.

12. The process of building up the financial infrastructure continues apace. The banking system has been extending its coverage to the rural areas; more rural banks have been opened and the National Bank for Agriculture and Rural Development has commenced operations. All this would help to extend further the benefits of the institutional credit to the rural sector. Considerable progress has also been achieved in extending insurance to rural areas.

13. In the past few years, our balance of payments situation has been a matter of concern. In my budget speech last year, I had taken the opportunity to indicate the Government's strategy for restoring the viability in our balance of payments in the medium term. Briefly, the main elements of the strategy are to accelerate the pace of import substitution in critical sectors such as oil and fertilisers, to increase exports, and to improve the facilities available for remittances and investments by non-residents of Indian origin. The House would be happy to know that we have achieved considerable success in implementing this strategy.

14. The substantial increases in domestic production of petroleum and fertilisers have enabled us to reduce our dependence on imports of these items in the current year. imports of steel, non-ferrous metals, and several other items have also been lower. import policy has sought to combine the objective of reducing the growth of imports with the need to continue the liberal access to raw materials and capital goods for priority sectors. Tariff policies are being effectively used to provide further protection to indigenous industries, wherever appropriate.

15. Exports, which increased by 16 per cent in 1981-82, have shown a further growth of 18 per cent in the first seven months of 1982-83. This is good performance considering the uncongenial external environment marked by rising protectionism,

demand recession and near stagnation in world trade. The trade deficit is likely to be lower in 1982-83. The rate of decline in our reserves, excluding International Monetary Fund transactions, has also come down and has averaged Rs.91 crores per month in this financial year up to end of January 1983 compared with Rs.175 crores per month during 1981-82.

16. Our balance of payments adjustment has however, been made more difficult by an unfavourable international environment characterised by lack of political will in industrialised countries for economic cooperation. It is necessary that in association with the developing and other non-aligned countries, we continue to work for basic reform in the international financial and trading system. India also has had to bear a disproportionate reduction in its share of concessional flows. In this situation, while recourse to a certain amount of commercial loans is unavoidable, we have to be extremely circumspect in relying upon this source as a means of financing current account deficits.

17. Hon'ble, Members are aware of the geopolitical situation in the region and the increasing burden cast upon us because of the threat to our national security. No sacrifice is too great where the nation's security is concerned. At the same time, we cannot afford to slacken the development effort, however onerous the task may be as in the ultimate analysis, the nation's security rests on economic strength. Despite a difficult resource situation, I am happy to inform the House that we were able to achieve a substantial step up in the Plan outlay in 1982-83. The need for further economy and efficiency in the use of resources can hardly be over-emphasised. We must also continue to press ahead with additional resource mobilisation in a non-inflationary way.

18. Fiscal policy has an important role to play in the task of harnessing the nation's resources. In addition to appropriate adjustments in tax rates, the necessary administrative and legal measures are being taken to ensure that all sections of the community pay their taxes promptly. This Government is determined to plug avenues for tax evasion and avoidance, and to continue the fight against economic offences.

19. Raising the living standards of our people is possible only through a progressive increase in savings and productivity. The Indian people, we must gratefully acknowledge, have set standards of saving levels remarkable for a low income country. It is, however, essential that these savings are invested in assets which add to productive capacity and which directly benefit the people.

20. In the past three years, several steps have been taken to encourage the savings habit. The interest rate mechanism and the fiscal instrument have been used to provide an attractive return on savings in the form of financial assets. In line with the decision to raise the interest rate on 5-year bank deposits, announced in October last year, it has been decided to increase the rate of interest on 5-Year Post Office Time Deposits and Recurring Deposits from 10.5 per cent to 11.5 per cent per annum.

Similarly, I propose to increase the rate of interest by 1 per cent on Special Deposits of Employees Provident Fund and other non-Government provident, gratuity and superannuation funds. The improvement in the rate of return on these deposits would benefit workers and small savers.

21. I also propose to liberalise the Public Provident Fund Scheme, which has become increasingly popular among self-employed and others. Subscribers will be allowed to continue their accounts beyond 15 years. The limit for annual subscription is also being raised to Rs.40,000.

22. In the light of the changes that have taken place in the monetary and economic situation in the last two years, the Government, in consultation with the Reserve Bank of India, has reviewed the interest rates on advances by commercial banks. It has been decided to reduce the ceiling rate of interest from 19.5 per cent to 18 per cent. The structure of interest rate is also being adjusted downwards for the benefit of agriculture, small scale industry and exports. A separate announcement in this respect is being made by the Reserve Bank of India.

23. The Government has provided liberal incentives for attracting remittances and investments by non-residents of Indian origin. In the light of experience, it has been decided to improve further the facilities available to non-residents. Last year I had announced certain important concessions in respect of subscriptions by non-residents to 6-Year National Savings Certificates, which carry interest at 12 per cent per annum. In order to further improve their yield, I propose to allow an additional interest of one per cent on these certificates if these are subscribed for in foreign exchange. I also have some other important proposals to which I shall refer later. I am sure that the House will agree with me that our policy frame-work meets the requirements of non-residents, and that we can look forward to further strengthening of the bonds that exist between them and this country.

24. I shall now turn to the Revised estimates for 1982-83 and the Budget estimates for 1983-84.

REVISED ESTIMATES FOR 1982-83

25. The Budget estimate for the total expenditure in 1982-83 was Rs.29,219 crores of which Rs.11,345 crores was on Plan account and Rs.17,874 crores on non-Plan account. As the year progressed, it became evident that we would need to enhance both these broad categories of expenditure. Despite the strains imposed on the economy by natural calamities, it has been our endeavour that outlays in respect of long-term development should not be allowed to suffer. One of my highest priorities, therefore, has been to protect the Plan and, in the result, the Revised estimates for Central Plan outlay are Rs.603 crores higher than those originally budgeted.

26. Railway Plan outlay has been increased by Rs.195 crores, of which budgetary support will account for Rs.105 crores. The budgetary support for the power

sector will go up by Rs.62 crores, while assistance to National Bank for Agriculture and Rural Development has been increased by Rs.100 crores. The outlays for schemes of family welfare have been enhanced by Rs.50 crores. Plan provisions for rural water supply, agriculture and co-operation have also been stepped up, while the budgetary support for the Posts and Telegraphs Plan has been increased by Rs.75 crores owing, in this case, to a shortfall in internal resources. As against these increases, some reductions are expected in relation to Budget estimates of Plan expenditure in a few sectors. Overall, the budgetary support for the Central Plan is estimated to go up by Rs.262 crores to Rs.7605 crores.

27. The Central assistance for State and Union Territory Plans is also being stepped up by Rs.380 crores, of which Rs.350 crores is the additional advance Plan assistance to States which have been affected by drought.

28. Non-Plan expenditure will also be higher in the current year due to several factors. Non-Plan grants to States will be higher by Rs.214 crores mainly due to additional assistance of Rs.147 crores for States affected by floods, cyclones and other natural calamities. Similarly, reflecting the buoyancy in small savings collections, non-Plan loans to States on this account will be higher by Rs.200 crores. Non-Plan loans for agricultural inputs have also been increased by Rs.50 crores. The subsidy for indigenous fertilisers will go up by Rs.200 crores. Additional loans of Rs.209 crores are required for certain public sector undertakings to enable them to meet their cash losses and interest and repayment obligations to the Government.

29. The provision for Defence expenditure will be higher by Rs.250 crores. To meet the temporary imbalance in the trade covered by Rupee Trade Agreements, the provision for Technical Credits has to be increased from Rs.80 crores to Rs.1280 crores. The increase in Technical Credits has been due to temporary and exceptional circumstances, and will be largely reversed during the year. Hon'ble Members will appreciate that in a year of weak global demand, our long standing trading relationship with the Socialist countries has been an important element in providing a measure of stability to our export sector.

30. Excluding the loan of Rs.1743 crores to States, to which I shall refer later, the total non-Plan expenditure is likely to go up from Rs.17,874 crores to Rs.20,511 crores.

31. Coming to receipts, as I mentioned at the beginning, the drought inevitably affects the income and resource base of the economy. Despite these adverse effects, the Budget estimates of receipts from Income-tax and Customs duties are expected to be realised. However, receipts from Union excise duties may show a shortfall of Rs.220 crores. Apart from the impact of a lower growth in industrial production, there has been locking up of some revenues due to pending litigation. Some shortfall in Corporation tax is also anticipated. The Centre's net tax revenue after paying the

States' share of taxes, is estimated at Rs.13,271 crores as against the Budget estimate of Rs.13,362 crores.

32. Non-tax revenue is, however, expected to show an improvement of Rs.613 crores mainly due to larger dividend payment by Railways, larger receipts from some public sector units, recovery from the Indian Dairy Corporation of the value of gift material supplied to it earlier and larger external grants.

33. Capital receipts are also estimated to go up from Rs.10,249 crores to Rs.12,446 crores. Receipts from market loans are estimated at Rs.3800 crores against the Budget estimate of Rs.3200 crores. As mentioned earlier, the recovery of Technical Credits will also go up from Rs.90 crores to Rs.1080 crores. The receipts from small savings are estimated to go up by, Rs.150 crores.

34. The total receipts are thus estimated to go up from Rs.27, 844 crores to Rs.30, 563 crores.

35. Taking into account the above and other variations in receipts and expenditure, the budgetary deficit in the current year is now estimated at Rs.1935 crores. This excludes the special loan assistance to States of Rs.1743 crores, which does not have any economic impact in the current year. The larger deficit over Budget estimates in the current year has to be viewed against the background of weak demand in certain sectors of the economy. That it has not had a destabilising effect on the economy has been demonstrated by the price behaviour in recent months.

BUDGET ESTIMATES FOR 1983-84

36. In framing the next year's Budget, Mr. Speaker, Sir, my aim has been to provide for a large increase in the Plan outlay so that the pace of development, which we have assiduously built up, is not retarded. Even this increase, I am acutely aware, cannot be expected to fully meet the demand from various sectors, however pressing they may seem. Some reordering of priorities among different objectives and sectors has, therefore become necessary.

37. I propose to increase the Central Plan outlay to Rs.13,870 crores in 1983-84 inclusive of a special allocation of Rs.300 crores to which I shall refer later. This constitutes an increase of 26.1 per cent over the Plan outlay of Rs.11,000 crores in the Budget estimates for 1982- 83. Coming on top of an increase of 27.6 per cent provided in the Budget for 1982-83, the proposed increase would enable us to meet our urgent requirements in critical sectors of the economy, and also provide a special thrust in respect of programmes meant for the welfare of the weaker sections of the society. The Central Plan will be financed by a budgetary support of Rs.8390 crores and internal and extra- budgetary resources of Rs.5480 crores.

38. Hon'ble Members are aware that the finances of several States have been under severe strain for some time. While the need for fiscal discipline cannot be over-emphasised, an important objective of the Central Government has been to

ensure that, despite resource constraints, the State Plans also show a reasonable order of increase. Hon'ble Members would recall that in June 1982, I decided to clear States' closing deficits of the previous year with a medium term loan of Rs.1743 crores. I did so to help the States to readjust their finances and achieve adequate investment in their plans. In the current year, the Centre has provided nearly Rs.700 crores of assistance to States for drought and flood relief. Further, we have decided to increase Central assistance to States in the next two years by Rs.1650 crores over the balance available in the originally approved level. This will augment the Plan resources of the States. The States have responded by agreeing to enhance their resource mobilisation efforts.

39. The total Plan outlay for 1983-84 of the States and Union Territories is now placed at Rs.11,625 crores. This represents an increase of 16.4 per cent over the finally approved outlay of Rs.9989 crores in 1982-83, the highest increase so far in the current plan period. Central assistance for the Plan of the States and Union Territories will be Rs.4462 crores.

40. Taken together, the Plan outlays of the Centre, States and Union Territories for 1983-84 will be Rs.25,495 crores, an increase of 21.5 per cent over the finally approved outlay of Rs.20,989 crores in 1982-83.

41. In formulating the 1983-84 Plan, our primary concern has been to provide maximum support to those projects and programmes which can be of immediate benefit to the economy, and especially to the weaker sections of society. The outlays for the Revised 20-Point Programme have been enhanced, and a special thrust is being given to programmes that benefit the poor directly.

42. I have also taken the somewhat unconventional step of providing an additional Rs.300 crores over and above Rs.13,570 crores set apart specifically for the various schemes in the next year's Central Plan. This amount will be provided as grants to the States on the basis of their better performance in implementing specific programmes. These programmes will benefit the weaker sections of the community and improve the functioning of the State Electricity Boards. The co-operation of the States is essential and, wherever appropriate, the guide-lines to be issued, would provide for matching contributions by them.

43. Out of this allocation, I am earmarking Rs.125 crores to assist small and marginal farmers to improve the productivity of their land. My colleague, the Minister of Agriculture, will be announcing the details of the scheme.

44. Another Rs.125 crores would be distributed among the States on the basis of their performance in implementing programmes in Identified areas of high priority, which the Government will announce later. The assistance for these purposes would be made available only to those States which demonstrate capacity to achieve targets over and above those implied in their approved Plans.

45. I have had occasion in the past to underline the importance of obtaining maximum returns out of existing investments. The need for increasing the plant load factors in thermal power stations cannot be over-emphasised. I, therefore, propose to set apart the balance of Rs.50 crores out of Rs.300 crores for incentive payments to State Electricity Boards for better performance. Most of the State Electricity Boards achieved their peak plant load factors during the years 1975-77. Unfortunately, their recent performance has fallen far short of these levels. I hope that this incentive would encourage the State Electricity Boards to reach and even surpass their earlier peaks.

46. Apart from the above special allocation, the outlay for the 20-Point Programme in the Central Sector Plan for 1983-84 is Rs.2747 crores representing an increase of 26.8 per cent over the outlay in the current year's Plan. The provision for these schemes in the approved Plan outlay of the States and Union Territories for 1983-84 will be Rs.7332 crores. Hon'ble Members will be happy to know that the total provision for 20-Point Programme next year will thus exceed Rs.10,000 crores.

47. Next year's programme also provides a high priority to agricultural development. The total outlay for this sector is Rs.608 crores. This includes Rs.200 crores for the National Bank for Agriculture and Rural Development. Two major programmes, one for oil seeds development and another for dry land farming, both important elements in the 20-Point Programme, will also be taken up for implementation in 1983-84. Further, a sum of Rs.800 crores is being provided for agricultural programmes in the approved Plan outlay of the States and Union Territories. The outlays for irrigation and flood control are also being stepped up to Rs.116 crores in the Central Plan and Rs.2404 crores in the Plans of the States and Union Territories.

48. The outlay for the National Rural Employment Programme, Integrated Rural Development Programme and other schemes of the Ministry of Rural Development would be Rs.480 crores in 1983-84 against the likely expenditure of Rs.419 crores in 1982-83. The IRDP will enable about three million families in the rural areas to cross the poverty line. The NREP will create about 350 million man-days of work in the rural areas. The provision for these programmes will be matched by the State Governments.

49. Hon'ble Members are aware that the Government has launched a crash programme for providing drinking water facilities in all problem villages. The Plan outlay for 1982-83 visualised an allocation of Rs.127.5 crores by the Centre for the accelerated rural water supply programme. Having regard to the progress in implementation the outlay has now been increased to Rs.155 crores. A substantially higher outlay of Rs.200 crores has been provided for this programme in 1983-84. The States on their part will be setting apart Rs.319 crores and in all 48,000 more villages are expected to be covered in 1983-84.

50. One of the important programmes benefiting children is the Integrated

Child Development Services. With the higher target now set for the Sixth Plan, it is proposed to extend this scheme to 200 more projects in 1983-84 over and above the 620 projects so far covered. Over half the total provision of Rs.60 crores for Department of Social Welfare will be accounted for by this scheme.

51. An increased provision of Rs.176 crores has been made in the Central Plan for 1983-84 for the various programmes benefiting the Scheduled Castes and Scheduled Tribes.

52. The Family Welfare Programmes will be implemented with renewed vigour in 1983-84 and will cover 17 million persons. A sum of Rs.330 crores is being provided for these programmes.

53. The Sixth Plan has placed considerable emphasis on accelerating investment in the Energy sector. The total outlay for this sector covering petroleum, power and coal would be Rs.5014 crores, accounting for more than 36 per cent of the total Central Plan outlay. Crude oil production is expected to reach 21 million tonnes this year, and increase further to around 26 million tonnes in 1983-84.

54. Inclusive of the allocation for power development under Atomic Energy and Coal, the total outlay for the various power programmes in 1983-84 in the Central Plan will be Rs.1222 crores, representing an increase of 31.5 per cent over that for 1982-83. The target for addition to the capacity in 1983-84 in the Central Sector will be 1050 MW, double that of the current year.

55. The outlay for Coal sector, including lignite, will be Rs.946 crores in 1983-84. The target for production of coal is 142 million tonnes, 9 million tonnes more than in the current year.

56. The provision for the various programmes of the Department of Steel in the Plan for 1983-84 is Rs.820 crores. The Plan outlay of the Mines Department has been increased to Rs. 494 crores in 1983-84 compared to Rs.292 crores in the current year's approved Plan outlay. This includes Rs.365 crores for the Orissa Aluminium Project.

57. The revenue earning traffic to be carried by the Railways in 1983-84 is projected at 241 million tonnes, which is an increase of more than six per cent over the likely performance in 1982-83. The Plan outlay for the Railways in 1983-84 is Rs.1342 crores.

58. The traffic handled at the ports is expected to increase to 105 million tonnes in 1983-84 as against 95 million tonnes likely to be reached in 1982-83. Inclusive of a provision of Rs.90 crores for the Nhava Sheva Project, and Rs.40 crores for investment in State Road Transport Corporations, a total outlay of Rs.558 crores has been set apart for the Shipping and Transport Ministry in 1983-84.

59. An outlay of Rs.429 crores has been provided for the various projects of

the Ministry of Chemicals and Fertilizers. This includes Rs.260 crores for the Thal Vaishet Fertilizer project. For the Hazira Fertilizer Project a provision of Rs.145 crores has been made.

60. The total provision for the projects of the Ministry of Industry in 1983-84 is Rs.549 crores compared with Rs.480 crores in the current year. Of this, the provision for small industries, including KVIC and coir, is about Rs.173 crores.

61. A provision of Rs.72 crores has been made for the various Plan programmes of the Department of Science and Technology and the Council of Scientific and Industrial Research in 1983-84. The Government has recently set up a separate Department of Non-Conventional Energy Sources. The programmes to be undertaken by this Department in 1983-84 would include, inter alia, establishment of 75,000 family size biogas units and 100 community bio-gas units. Inclusive-of the provision of Rs.18 crores for the bio-gas programme, an outlay of Rs.30 crores has been set apart for this Department in the Plan for 1983-84.

62. Mr. Speaker, it has been my effort to contain the growth in the non-Plan expenditure. However, increases in certain important sectors have been inevitable. Taking into account the requirements of the country's defence, a provision of Rs.5971 crores has been made for Defence against Rs.5350 crores in the Revised estimates for the current year. Due to increase in borrowings which are mainly used for development purposes and also higher borrowing costs, the provision for interest is placed at Rs.4700 crores against Rs.3950 crores in the Revised estimates for the current year. The provision for food subsidy at Rs.800 crores will be higher by Rs.90 crores compared with the Revised estimates for the current year. The provision for subsidy on indigenous fertilisers is estimated to go up from Rs.550 crores in the current year to Rs.700 crores next year. A provision of Rs.550 crores has been made for cash compensatory support and market development assistance for exports.

63. The provision for Technical Credits under Rupee-Trade Agreements is Rs.600 crores next year as against Rs.1280 crores in the current year. A lump sum of Rs.300 crores is being provided in 1983-84 for payment of additional instalments of dearness allowance, pension and other reliefs to Central Government employees.

64. The House would recall that last year, I had announced certain enhanced benefits for low paid pensioners. I propose to provide some additional relief to this category of pensioners. From 1st April 1983, the minimum amount of pension, including dearness relief, will be raised to Rs.160 per month and the minimum amount of family pension including dearness relief to Rs.150 per month.

65. The total non-Plan expenditure in 1983-84 is estimated at Rs.21,984 crores against Rs.20,511 crores in Revised estimate 1982-83.

66. At this point I would like to refer to it matter concerning Government employees. The employees had suggested some time ago that the Government may

appoint a Pay Body for revising pay scales. The Third Pay Commission was appointed in April 1970 and made its report in 1973. Since then, over the years conditions have changed in several respects. The employment under the Central Government has grown steadily larger. Changes have also taken place in the relativities in the emoluments of the employees of departments inter se, and also vis-a-vis other employees. For instance several State Governments have, through pay committees or Pay Commissions, substantially revised the pay scales and other benefits of their employees. The Government feels it would be appropriate now to appoint the Fourth Central Pay Commission. Before the terms of reference of the Pay Commission are settled, the representatives of the employees would be consulted. The membership of the Commission together with the terms of reference will be announced as soon as possible.

67. So far as receipts in 1983-84 are concerned, the gross tax revenues at the existing rates of taxation are estimated at Rs.19,964 crores compared with Rs.17,910 crores in the Revised estimates. The States' share of taxes in 1983-84 is estimated at Rs.5088 crores compared with Rs.4639 crores in the current year. The net tax revenue of the Centre will thus be Rs.14,876 crores against Rs.13,271 crores in the current year.

68. The receipts from market loans are placed at Rs.4000 crores compared with Rs. 3800 crores in the current year. The recoveries of Technical Credits next year will be lower as the payments will also be less. Small savings collections are expected to yield Rs.1700 crores next year against Rs.1550 crores this year. External assistance, net of loan repayments, is estimated at Rs.1940 crores against Rs.1724 crores in the current year.

69. Taking into account these and other variations in receipts, the total receipts for 1983-84 are estimated at Rs.32,586 crores. These receipts include the effect of the changes in fare and freight rates of the Railways and in the Posts and Telegraphs tariffs as well as the continuance of the Compulsory Deposit Scheme for income-tax payers beyond 31st March 1983, to which I shall refer later. The total expenditure is placed at Rs.34,836 crores. The overall budgetary gap at existing rates of taxation will thus be Rs.2250 crores.

PART B

70. Mr. Speaker, Sir, it is against the background of this review of budgetary out-turn that I place my budget proposals before Hon'ble Members. The Budget is more than an exercise in raising revenue or financing outlays. In a planned economy, it represents a potent instrument for achieving national objectives and sustaining the pace of development through appropriate financial and fiscal policies. I would, therefore, like to share with Hon'ble Members the philosophy of my budget. It aims at strengthening the productive forces in the economy, keeping a tight rein on inflation, encouraging savings both in the individual and corporate sectors and promoting essential investment. The encouragement of savings has its corollary in discouraging

consumption. Conspicuous consumption whether at individual or the corporate level has no place in a society such as ours. I have also taken this opportunity to review the effect of certain incentives and concessions in the tax law, and to modify them where appropriate. As we are placed now, the Budget must reflect the imperatives of attaining as speedily as possible a viable external payment situation and, therefore, seek to promote exports and effect economies in imports through a judicious use of the fiscal instrument.

71. Within this overall framework, it has been my objective to keep the budgetary deficit for the next year relatively low. While it has been necessary to raise additional resources, I have tried to do so in a non-inflationary way and without subjecting the low and middle income groups to additional burdens.

72. I shall first deal with my proposals in the area of non-corporate income taxes. My aim is to provide some relief at the lower end of the slabs and specially to the salaried taxpayer. At the same time, it has been my endeavour to promote savings at the expense of consumption. With this end in view I am providing for a more liberal application of the exemptions pertaining to savings.

73. Coming to my specific proposals let me begin with the unpleasant bit. I propose an increase in the surcharge in the income-tax on non-corporate taxpayers from the present level of 10 per cent to 12.5 per cent. The revenue yield from this measure would be Rs.47 crores in a, full year and Rs.37.6 crores in 1983-84. This will accrue wholly to the Centre. Considering the increased burden cast on the Centre on account of additional expenditure on national security and special assistance to the States. Hon'ble Members will agree that this measure is justified.

74. Now for the good news. As a measure of relief to the salaried taxpayer I am proposing that the ceiling of standard deduction be increased from the present Rs.5,000 to Rs.6,000. The revenue loss as a result of this proposal is expected to be Rs.19 crores in a fun year and Rs.15.2 crores in 1983-84.

75. In recent years we have increased the exemption limits in respect of income-tax. It has, however, been pointed out to me, with some justification, that the tax rate in the initial slab is somewhat high. I accordingly propose to split the initial slab, and for the first slab between Rs.15,001 and Rs.20,000 the tax rate will be 25 per cent instead of 30 per cent. The present rate of 30 per cent will, however, continue to apply to the slab Rs.20,001 to Rs.25,000. For the next slab between Rs.25,001 and Rs.30,000 the rate will be raised by 1 percentage point to 35 per cent. Even after the increase in rate of surcharge, individuals and certain categories of Hindu undivided families, etc. in the lower income slabs will pay less tax than at present. The revenue effect of these proposals would be a loss of Rs.35 crores in a full year and Rs.28 crores in 1983-84.

76. As a measure to stimulate savings, I propose to remove the ceiling of 30 per cent of gross total income in respect of savings in specified forms like life insurance,

provident funds, etc., while retaining the absolute monetary ceilings. Further, I intend widening the available media for savings by including National Savings Certificates, VI and VII issues. This would be particularly helpful to those past middle age and towards the end of their working lives who might find it difficult to take advantage of life insurance and other contractual forms of savings. The revenue loss from this measure is expected to be Rs.15 crores in a full year and Rs.12 crores next year.

77. Income derived from specified long-term investments is exempt at present up to Rs.4,000 with an additional exemption of Rs.2,000 for interest on securities and bank deposits for a period exceeding one year. As a measure of simplification, I propose to merge these separate exemption limits and raise it from Rs.6,000 to Rs.7,000. The existing separate exemption of Rs.3,000 in respect of income from units of the Unit Trust of India will continue unchanged. As a result of these proposals, the aggregate of specified investment income which is exempt from tax would go up from Rs.9,000 to Rs.10,000. This should help to stimulate savings further.

78. Hon'ble Members would appreciate that in sum the effect of the above proposals would be such as not to increase the tax liability of assesseees in the lower brackets of the tax scale notwithstanding the increase in the surcharge. As for the rest, as I intend the surcharge primarily to affect consumption rather than savings I have sought to combine the surcharge with measures designed to increase personal savings in specified financial assets.

79. I propose to extend the operation of the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974, by a period of two years. At present, persons over 70 years of age are exempted from the requirement of making deposits. I propose to lower this limit from 70 to 65 years. Those who attain the age of 65 years on 1st April, 1983, would be entitled to withdraw, at their option, the balance of the deposits to their credit, on or after 1st June, 1983.

80. At present no tax on capital gains is charged in cases where the net consideration received on transfer of a capital asset is invested in 7-Year National Rural Development Bonds. It has been pointed out to me that this maturity period is rather long. In order to provide investment choices and with a view to ensuring that resources flow into desired directions, I propose to extend the exemption to cover investment of the net consideration in a new Central Government Bond of 3 years' maturity. a special series of units of the Unit Trust of India and debentures of the Housing and Urban Development Corporation with maturity periods adjusted appropriately for the interest they carry.

81. As I indicated earlier, I have decided to liberalise further the tax incentives in respect of non-resident Indians investing in India. I propose to levy a flat rate of tax of 20 per cent plus surcharge on incomes derived by such persons from their specified investments in India made through foreign exchange remittances. These investments will include shares and debentures of Indian companies, units of the Unit Trust of

India and Government securities. Long-term capital gains arising on transfer of such assets will also attract tax at the proposed flat rate. Such incomes will also not be taken into account in computing their other Indian incomes. They would not have to go through the procedures involved in submission of tax returns, provided they have no other income in India and tax at the proposed flat rate has been deducted from their income. These non residents will also have the option of paying tax at the normal rates applicable to resident taxpayers. Such investments will also be exempt from wealth-tax. Gifts of such assets made by Indian citizens and persons of Indian origin settled abroad to their relatives in India will also be exempt from gift tax.

82. I shall now deal with my proposals in respect of the corporation tax. Earlier in my speech I had referred to the need to accelerate investment through higher internal generation by companies and curbing conspicuous consumption. I believe that both the Government and the companies can contribute towards this objective.

83. It has been pointed out to me by several committees and representative organisations of industry that given the rising costs of replacement and modernisation, the internal funds available with the corporate sector are inadequate. I find substance in this argument. Accordingly, I propose to increase the general rate of depreciation in respect of plant and machinery from 10 per cent to 15 per cent. I am also raising the monetary limit for 100 per cent write-off from the present level of Rs.750 to Rs.5,000 in respect of small items of plant and machinery. The other related benefits which new investment in plant and machinery now enjoy will continue. The revenue loss on account of liberalisation of provisions relating to depreciation would be Rs.140 crores in a full year and Rs.112 crores in 1983-84.

84. Hon'ble Members would recall that last year I had proposed to allow depreciation at 30 per cent of the cost of devices and systems for energy saving and for minimising environmental pollution and for conservation of natural resources. I propose to go farther and allow 100 per cent depreciation on devices and systems for energy saving. In regard to devices and systems for minimising environmental pollution and for conservation of natural resources, I propose to raise the investment allowance from 25 per cent to 35 per cent.

85. To encourage industries to shift from urban areas and as a measure of decongesting our overcrowded cities and reducing pollution, the capital gain arising from transfer of buildings or lands used for the purposes of business is exempt from tax if it is used for acquiring lands or constructing buildings for the purposes of business at the new place. I propose to extend this exemption from tax. to capital gain arising from transfer of machinery and plant also.

86. I had occasion earlier to refer to the lowering of the interest rate structure. As my contribution to the relief being provided by banks and with a view to encouraging production and investment, I propose to reduce the rate of tax charged under the

Interest-tax Act to half of the prevailing rate. In respect of the chargeable interest arising after 31st March, 1983, the rate of interest-tax will be reduced from seven per cent to three and a half per cent. About half of the loss of Rs.130 crores on account of this measure will be recouped by the additional tax revenue as a consequence of the lower deductible cost of borrowing to business and industry.

87. My other important objective in respect of the corporate tax structure is to provide incentive for higher production and exports. I am, therefore, continuing the two schemes announced last year and making them more liberal.

88. As regards the scheme for excess production, I will come to the details later while discussing my proposals in respect of indirect taxes.

89. In respect of exports the scheme announced by me last year provided some tax relief to exporters whose export turnover for any year exceeded that of the immediately preceding year by more than 10 per cent. The total relief available under last year's scheme was also subject to a maximum of 10 per cent of tax payable. I now propose to simplify and liberalise the scheme and remove both the minimum qualifying amount and limit of relief. Exporters will be entitled to deduct 5 per cent of their incremental turnover in computing their taxable income. Thus, under the new scheme all increments in export turnover will be entitled to relief. Exports of all goods will qualify for this concession excepting a few specified items. As the new provision will take effect from the assessment year 1983-84, the provision made last year is proposed to be deleted.

90. Hon'ble Members must be aware of the phenomenon of companies which are flourishing, but are paying no tax at all, or only a nominal tax. This is largely due to these companies availing of the tax incentives and concessions available under the provisions of the Income-tax Act. It has been a matter of concern to us that under our tax system several highly profitable companies are able to reduce their tax liability to zero even though they continue to pay high dividends. It seems reasonable that profitable and prosperous companies should contribute at least a small portion of their profits to the national exchequer at a time when other and less better off sections of society are bearing a burden. I therefore propose to provide that fiscal incentives and concessions shall not absorb more than 70 per cent of the profits. This would secure that companies pay a minimum tax, on at least 30 per cent of their profits.

91. The differential rates of tax in the case of domestic companies depending upon the total income of the company are proposed to be removed.

92. As a measure of simplification, I propose to levy income-tax at a flat rate of 25 per cent on the gross amount of interest received by foreign companies on loans advanced by them in foreign currency.

93. The income-tax payable by companies at present bears a surcharge of 2.5 per cent of such income-tax. I propose to raise the rate of surcharge to 5 per cent.

However, in lieu of the additional surcharge payable by them, companies will be offered the option to make deposits with the Industrial Development Bank of India under a scheme to be notified by the Government. I am not taking credit for any revenue gain from this measure in the expectation that the additional surcharge would in fact be deposited by the companies with Industrial Development Bank of India. The amount so deposited should help to provide funds for modernisation and thus flow back to the corporate sector.

94. Our corporate tax structure is riddled with a large number of different kinds of deductions. While each deduction may seem to have a merit the aggregate effect is to complicate tax administration, provide opportunities for misuse and reduce the growth of revenues. As a step towards rationalisation of this structure, I have reviewed the various deductions.

95. The Income-tax Act at present provides for weighted deduction of expenses incurred by a company or a co-operative society which uses products of agriculture, animal husbandry, dairy or poultry farming as raw material. The expenses in respect of which weighted deduction is allowed do not relate directly to the assessee's business. I propose to provide that such companies or cooperative societies would henceforth be entitled only to the deduction of expenses and not to the weighted deduction.

96. The Income-tax Act provides deductions for expenditure or contributions made by assesseees for approved programmes of rural development. Ongoing programmes approved by the prescribed authority will continue to enjoy the benefits of the deduction upto the terminal date in respect of time bound programmes and February 28, 1984 in other cases. However, with a view to preventing possibility of misuse, it is proposed not to allow any further deductions on this score. It is not the intention of the Government to deprive genuine rural development programmes of corporate support. The Government would shortly establish a fund called the Prime Minister's Fund for Rural Development, contributions to which would enjoy exemption under the Income-tax Act.

97. The special deduction allowed hitherto in respect of profits and gains from business of livestock breeding or poultry or dairy farming and from business of growing mushrooms, is proposed to be withdrawn. I see little justification for continuing this fiscal concession to these businesses, in view of the room for abuse. However, in order to encourage and strengthen primary co-operatives for oilseeds, fruits and vegetables, I propose to provide full exemption from tax for such co-operatives as in the case of dairy co-operatives.

98. The tax concession in relation to horizontal transfer of technology was introduced in 1969. The objective was to discourage repetitive import of foreign technology. I find that the concession has lent itself to be used for tax avoidance. I, therefore, propose to withdraw this concession effective from assessment year 1984-85.

99. Hon'ble Members must be aware of lavish and wasteful expenditure by trade and industry, particularly on travelling, advertisement and the like. With a view to inculcating a climate of austerity and providing a disincentive to unproductive, avoidable and ostentatious spending by trade and industry, I propose to provide that 20 per cent of such expenditure will be disallowed in computing the taxable profits. The Income-tax Act provides for the disallowance of entertainment expenses beyond a ceiling and for total disallowance of expenses on maintenance of guest houses. I propose to define the terms "entertainment expenditure" and "guest house" to remove doubts about the correct import of these expressions. The revenue from these measures in a full year will be Rs.50 crores and in 1983-84 Rs.40 crores. The effect of these measures, combined with the increase in depreciation allowance, will be to provide a marked preferential tax treatment of investment as against unproductive expenditure.

100. Several cases have come to notice where taxpayers do not discharge their statutory liability such as in respect of excise duty, employer's contribution to provident fund, Employees' State Insurance Scheme, for long period of time. For the purpose of their income-tax assessments, they nonetheless claim the liability as deduction even as they take resort to legal action, thus depriving the Government of its dues while enjoying the benefit of non-payment. To curb such practices I propose to provide that Irrespective of the method of accounting followed by the taxpayers, a statutory liability will be allowed as a deduction in computing the taxable profits only in the year and to the extent it is actually paid. This would result in a revenue gain of Rs.100 crores in a full year and Rs.80 crores in 1983- 84.

101. It has come to my notice that some persons have been trying to avoid personal wealth-tax liability by forming closely-held companies to which they transfer many items of their wealth, particularly jewellery bullion and real estate. As companies are not chargeable to wealth-tax, and the value of the shares of such companies does not also reflect the real worth of the assets of the company, those who hold such unproductive assets in closely held companies are able to successfully reduce their wealth-tax liability to a substantial extent. With a view to circumventing tax avoidance by such persons, I propose to revive the levy of wealth-tax in a limited way in the case of closely-held companies. Accordingly, I am proposing the levy of wealth-tax in the case of closely-held companies at the rate of 2 per cent on the net wealth represented by the value of specified assets, such as, jewellery, gold, bullion, buildings and lands owned by such companies. Buildings used by the company as factory, godown, warehouse, hotel or office for the purposes of its business or as residential accommodation for its low-paid employees will be excluded from net wealth.

102. The sum of my proposals in respect of the corporate sector, the Hon'ble Members would appreciate is to ensure that every profitable company pays some tax in the year in which profits accrue, that loopholes are plugged and the number of deductions is reduced, that more funds are available for modernisation and re-investment, that costs are reduced through lower interest charges and reduction in

conspicuous expenses, and that higher production, particularly for exports, receives due encouragement.

103. Many charitable and religious trusts and institutions no doubt do laudable work. Unfortunately, it is also true that many are used as a medium for tax avoidance, accumulation of wealth and means of patronage and I cannot remain a disinterested spectator. It is time some steps were taken to set matters right.

The Taxation Laws (Amendment) Act, 1975 had laid down an investment pattern for trust funds, and trusts which failed to comply with this investment pattern from accounting years commencing after 31st March, 1978 were liable to forfeit tax exemption. However, having regard to the practical difficulties involved and to ensure a more orderly change-over, this date was extended in 1977 by three years. As the whole gamut of the provisions relating to charitable and religious trusts was under consideration by the Economic Administration Reforms Commission, the date for the new pattern of investment was again extended last year by a further period of one year.

I have since considered the matter carefully. I see no justification for permitting investment of trust funds in business concerns, including shares of companies in the private sector. I accordingly propose to provide that all trust funds should be invested in specified modes, such as Government securities, units of the Unit Trust of India, deposits with scheduled banks, approved financial corporations, etc. investment in immovable properties will, however, continue to be allowed. I am giving notice to all charitable and religious trusts to divest their share holdings and other investment in business concerns by 30th November, 1983. However, trusts will be allowed to keep shares in companies, which formed part of the original corpus as on June 1, 1973 and bonus shares received up to that date. Some trusts carry on business on commercial lines and derive income there from. There is no reason why such business income should not be brought to tax. I, therefore, propose that business income of all charitable and religious trusts including those which have hitherto been exempted by notification will be brought to tax with effect from assessment year 1984-85. Trusts having business income will also be required to conform to the new investment pattern if they wish to seek tax exemption in respect of their other income.

104. Hon'ble Members are no doubt aware that estate duty in respect of agricultural land is a State subject and that the Centre has levied estate duty on agricultural land only by virtue of resolutions passed in this regard by States enabling the Union to do so. Our experience is that the valuation of agricultural land leads to administrative difficulties and litigation. The yield from this levy has also not been significant over the past several years. Moreover, after the abolition of wealth-tax on agricultural land, including plantations, there is little practical justification for continuing the levy of estate duty on agricultural land. I, therefore, propose to remove the levy of estate duty on agricultural land. Since the Estate Duty Act can be amended

only after the necessary resolutions of State Legislatures, a Bill for giving effect to this proposal will be introduced later.

105. The revenue loss on account of the reduction in interest-tax will be Rs.104 crores next year. Taking into account the estimated recoupment of part of this loss, my corporation tax proposals will yield Rs.104 crores next year. My proposals in regard to income-tax will lead to net revenue accrual of Re. 25. 6 crores to the Centre next year and a loss of Rs..28 crores to the States.

106. I turn now to my proposals in the area of indirect taxation. Mr. Speaker, the House to aware that for some years now our balance of payments has been under strain. Despite this we have sought to maintain an import regime which provides adequate access to imported inputs such as raw material and capital goods to the priority sectors. At the same time, I would not like that our policies should be taken advantage of by exporters abroad facing difficult market conditions by selling unduly cheap in the Indian market to the detriment of Indian industry. I believe we should use the instrument of customs duties not only to help revenue collection but to support our balance of payments and industrial expansion. In framing my proposals I have also tried to minimise tax avoidance and evasion and taken care to see that the measures would not spur inflation

107. Taking customs duties first, my principal proposal is to continue the auxiliary duties of customs first imposed from 1973 and since renewed annually. I propose also to raise with certain exceptions the present effective rates by 5 percentage points. The statutory rate of auxiliary, duty is proposed to be kept at 50 per cent, and the maximum effective rate at only 35 per cent. The cushion of 15 per cent will help us take care of any need for higher duty levels which may become necessary for reasons such as support for indigenous production. Newsprint and crude petroleum would not be subject to the increase in auxiliary duty. The existing full exemption from auxiliary duties on essential items like fertilizers, kerosene, high speed diesel oil would be continued. The revenue gain as a result of this proposal would be Rs.254.5 crores in a full year.

108. My next proposal relates to chemicals. This group of commodities is in general subject to a basic rate of customs duty at 60 per cent ad valorem. With the significant fall in the international prices of chemicals, I believe it would be appropriate to raise the tariff rate to 100 per cent ad valorem and the general effective rate to 70 per cent ad valorem. Tariff rates of 40 per cent and 100 per cent applicable to certain groups of chemicals are also being raised on the same lines. However, pharmaceutical chemicals and drugs, insecticide, pesticide and fungicide chemicals, fertilizers, tanning substances, etc. have by and large been kept out of the purview of the proposed increase. This measure will yield Rs.37.5 crores in a full year.

109. I also propose to raise the effective basic import-duty on zinc metal from 45 per cent to 55 per cent ad valorem and that on lead metal from 40 per cent to 56

per cent ad valorem. The existing par-flail exemption from countervailing duty on lead scrap and waste also proposed to be withdrawn. These measures will yield additional revenue of Rs.12.8 crores in a fun year, and would also improve the financial viability of indigenous producers.

110. For the benefit of our electronic industry, the existing concessional basic import duty of 45 per cent ad valorem is proposed to be extended to four more items of raw materials and components. Besides, the concessional basic import duty of 35 per cent ad valorem in respect of capital goods is proposed to be extended to 14 more items. These steps would cost the exchequer Rs.1.22 crores in a financial year.

111. Another concession relates to bonafide gifts received from abroad by post or air freight. The existing duty-free value limits for such gifts were fixed in 1968. I propose to raise the duty-free limit for bonafide gifts of food articles and medicines imported by post or as air freight, and other items imported by post to Rs.200. This liberalisation, I am sure, would be welcomed by those who receive genuine gifts from their friends and relatives abroad. The revenue sacrifice would be Rs.3.71 crores in a full year.

112. I also propose to rationalise and liberalise the provisions relating to import duties on articles of baggage which are brought by passengers returning to India. The present duty-free limit for baggage is Rs.1000 fixed in 1978. I propose to raise this limit to Rs.1250 for adults with corresponding increase for minors and other categories of passengers. Keeping in mind the needs of Indian workers abroad who are generally engaged on contracts of one year and who then return to India, I propose a higher duty-free allowance of Rs.5000 for them for used household effects with some exceptions. The rate of basic duty on the first dutiable value slab will remain 130 per cent, while on the value in excess of the first dutiable slab it is being reduced from 300 per cent to 200 per cent ad valorem except for a few articles. Auxiliary duty will be in addition. The list of articles of baggage in respect of which duty-free entry will not be admissible is being shortened. I am sure these measures would reduce the rigours of customs clearance for incoming passengers. I do not anticipate any fan in revenue because of this liberalisation.

113. A few amendments to the Customs Act, 1982 are also proposed to streamline the working of the department in the field and to enable more efficient revenue collections. The changes relate mainly to the setting up of the inland Container Depots and provisions relating to warehousing and drawback. A fair amount of customs revenue remains blocked because of inordinately long warehousing of goods and it is therefore proposed to reduce the warehousing time to one year in the case of non-consumable stores and to three months for other goods. As a measure to expedite drawback payments. It is being provided that for claiming drawback it would be sufficient if the goods are entered for export to a place outside India. The minimum amount for which a claim for drawback would be entertained is also being raised from Rs.5 to Rs. 50.

114. Power is also proposed to be taken under the Customs Act for the Government to fix effective rates of duty on a basis different from the one spelt out in the tariff. Thus, if the tariff, rate of duty is on ad valorem basis, the Government would have the power to fix effective rates of duty on the basis of weight, etc.

115. Sir, coming now to my proposals in respect of excise duties my objective has been primarily to mop up windfall gains where we believe they exist, and to limit the incidence of additional levies on individual items to relatively small proportions. I have also kept to the fore the important objective of promoting the small scale sector which has been a nursery for entrepreneurship in the country and has also helped to diffuse the concentration of economic power.

116. I propose to continue the levy of special excise duties in 1983-84 at the existing rates.

117. Cement prices, as Hon'ble Members are aware, have been ruling high in the markets. To mop up undue profits. I propose to raise the basic excise duty on cement from Rs.135 to Rs.205 per tonne for the commonly used variety of cement. The basic excise duty on cement produced in mini-cement plants will also go up from Rs.100 to Rs.170, thus maintaining the existing duty differential of Rs.35 per metric tonne in favour of the mini plants. The revenue gain would be Rs.182 crores in a full year by way of Central excise duties and Rs.6 crores by way of countervailing duties on imports of cement.

118. Central Excise Tariff item 68 covers a miscellany of goods not elsewhere specified in the Tariff. The rate of duty has been unchanged at 8 per cent ad valorem from 1979. I propose to raise the rate now to 10 per cent ad valorem. This measure is likely to yield an additional revenue of Rs.120 crores by way of Central excise duties and Rs.60 crores by way of countervailing duties in a full year. The increase would be basically on finished goods since the raw materials and manufactured inputs covered by this Tariff item will continue to be eligible for duty credit as at present. I have taken care to protect the small scale sector, as I will be mentioning later.

119. I have also proposed a package of measures relating to man-made fibres, blended yarns and fabrics. Hon'ble Members would recall that in my Budget last year several duty changes were made to encourage the production of blends with the desirable proportions of polyester. As a further measure in this area, I now propose to give a competitive edge to polyester-cotton blended fabrics, vis-a-vis polyester-viscose blended fabrics. The incidence of basic and additional duty on polyester-cotton fabrics containing more than 40 per cent but less than 50 per cent polyester is proposed to be reduced from 15 per cent ad valorem to 6.5 per cent ad valorem. These concessional rates would not, however, apply if polyester filament yarn is used. The overall incidence to duty on cotton yarn containing more than 40 per cent but less than 50 per cent polyester is also being reduced from Rs.11.25 to Rs.7.5 per kilogram. The revenue sacrifice entailed in these changes is Rs.19.40 crores in a full year.

120. The effective duty on viscose staple fibre is being raised from Rs.4 per kilogram to Rs.5 per kilogram. Further, to discourage the increasing imports of this fibre, I propose to raise the import duty on ordinary viscose staple fibre from 30 per cent to 40 per cent ad valorem and on improved varieties of viscose staple fibre also to 40 per cent ad valorem. The-revenue gain will be Rs.5.6 crores.

121. In the case of imported polyester fibre, considering the gap between its landed cost and domestic prices, it is proposed to raise the effective duty on polyester staple fibre by Rs.9 per kilogram. This would yield Rs.9 crores in a full year.

122. Polyester filament yarn is used in comparatively higher priced fabrics and I propose to raise the effective excise duty by Rs.7.50 per kilogram on filament yarns of textile applications. This increase would be equally incident on imported filament yarn by way of higher countervailing duty. The increase would not be applicable to polyester filament yarn of 750 deniers and above which goes into industrial applications. The revenue gain in a full year would be Rs.22.5 crores by way of excise duties and Rs.5.6 crores by way of countervailing duties.

123. In step with the above increase, I also propose to raise the effective duty on nylon filament yarn of textile deniers by the same margin. The additional revenue yield will be Rs.15.5 crores by way of Central excise duties and Rs.50 lakhs by way of countervailing duties in a full year.

124. As a measure to combat tax avoidance I propose to change the basis of duty from ad valorem to ad valorem-cum-specific rate or specific rate on a few commodities. In respect of paper, while adopting an ad valorem-cum-specific rate; I propose to fix a uniform rate for printing, writing and most of the other varieties of paper and paper board. The effective basic duty for kraft paper will be 10 per cent ad valorem plus Rs.1810 per metric tonne and for most of the other varieties of paper and paper board, 10 per cent ad valorem plus Rs.1430 per metric tonne. The existing concessional basic rate of 5 per cent ad valorem in respect of white printing paper supplied to Director General, Supplies and Disposals or for educational purposes would, however, continue.

125. I have also reviewed the present concessions available to small paper mills. The linking of the concession enjoyed by this sector to the installed capacity of a plant has been posing some practical problems. I, therefore, propose to rationalise the concessions to this sector on the basis of quantum of clearances in a financial year. The extent of exemption is also being suitably modified which should encourage the small paper mills to increase their production substantially. Rates of duty for paper manufactured in such paper mills using unconventional raw material will be Rs.560, Rs.900 or Rs.1120 per tonne depending on whether the clearances of paper and paper board from such paper mills in the preceding financial year did not exceed 3000 tonnes, 7500 tonnes or 16500 tonnes respectively.

126. In regard to aerated waters it is proposed to fix specific rates of duty to replace the existing ad valorem rates. The effective basic duty for a bottle of 200 millilitres will be, 5 paise for soda and 30 paise for others. The concessions available to small scale manufacturers would continue.

127. The present ad valorem rate in respect of motor cars is being converted into ad valorem-cum-specific rate. The effective rates would be based on the engine capacity and would be different for petrol driven and diesel driven cars.

128. In the case of tyres used in two-wheeled vehicles and tractors and tyres of specified sizes for trailers, the present basic tariff rate of 60 per cent is proposed to be reduced to 25 per cent which is the level of the present effective rates of duty.

129. The House may recall that in November last the concessional rates of duty on cigarettes were withdrawn and cigarettes were made liable to pay statutory rates. The revenue realisations had been affected inter alia on account of disputes over the method of arriving at the assessable value. With a view to ending the room for uncertainty once for all I propose to fix specific rates of duty in respect of cigarettes. These rates of duty would be linked to their retail sale prices printed on the cigarette packs. Keeping in view the fact that the consumption of cheaper cigarettes is large, I have also sought to have a graded levy based on retail prices. The duty now proposed will, at the lowest slab, be Rs.35 per thousand cigarettes. I expect that this measure would help the Government to realise the revenue expected from this item.

130. All these anti-avoidance measures would help secure revenue of the order of Rs.50 crores which otherwise might have been avoided.

131. There have been strong representations from many quarters that the existing scheme of concession in excise duty for the small scale sector hampers continuous growth and should be liberalised. I have reviewed the matter. Under the general scheme applicable to 70 specified groups of commodities at present, manufacturers are eligible to get full duty exemption upto first clearances of Rs.7.5 lakhs and the concessional rate of 75 per cent of the duty payable on clearances in excess of Rs.7.5 lakhs but upto Rs.15 lakhs. I propose to raise the upper limit from Rs.15 lakhs to Rs.25 lakhs. At the same time, I propose to reduce the limit of full exemption from Rs.7.5 lakhs to Rs.5 lakhs. The clearances in excess of Rs.5 lakhs upto Rs.25 lakhs would, however, enjoy a concessional rate of duty of 75 per cent of the normal duty payable.

132. Two commodity groups, namely cosmetics and toilet preparations, and the other, refrigerating and airconditioning appliances and machinery and their parts, bear high rates of excise duty and will be deleted from the general scheme. An alternative-exemption scheme has been provided for these items under which small manufacturers with total clearances upto Rs.2.5 lakhs would be completely exempt from payment of duty and those with turnover upto Rs.15 lakhs would pay duty at half the normal rate on the entire clearance.

133. As regards the exemption available to the small scale manufacturers of goods falling under Tariff item 68, I propose to raise the eligibility limit of Rs.30 lakhs by way of value of clearances in the previous year to Rs.40 lakhs. This measure would help the small scale units to avail of the benefit of exemption while expanding their turnover. With the increase in the rate of duty from 8 per cent to 10 per cent which I mentioned earlier, the amount of the new concessions can go up to Rs.3 lakhs against Rs.2.4 lakhs till now.

134. For both the schemes, I propose to exclude the clearances of exempted goods, other than those exempted under small scale exemptions, from the computation of value of clearances for the purpose of determining the eligibility as well as availment of exemption from duty. The net revenue effect of all these concessions for the small scale sector will be a loss of Rs.5 crores in a full year.

135. As part of the 1982 Budget, I had announced an excise duty relief scheme for encouraging higher production in respect of certain specified commodity groups. I propose not only to continue the scheme but also enhance the relief in duty for excess clearances. Under the existing scheme, there is, for excess clearances, a relief of 20 per cent of duty for items falling in certain duty rate groups and 10 per cent for those falling in other such groups. I propose to provide incentive in two slabs instead of the present single slab. I also propose to increase the present incentive of 20 per cent and 10 per cent respectively to 30 per cent and 15 per cent for the first slab of excess clearances and to 40 per cent and 20 per cent for the subsequent slab. I am hopeful that industry would take advantage of this liberalisation and step up production.

136. I have also proposed a few changes which would benefit State Governments. The first is in relation to coated fabrics, both cotton and man-made and flocked fabrics where additional excise duty (in lieu of sales tax) of 5 per cent ad valorem is being proposed in addition to the duty on base fabrics. This measure would net an additional revenue of Rs.3.4 crores in a full year. The other proposal relates to sandalwood oil in respect of which all extant exemptions are being withdrawn. The net gain from this proposal is Rs.30 lakhs in a year.

137. I now come to changes which do not involve any significant revenue. I propose a few changes in the tariff descriptions relating to iron and steel items which would align the Central Excise Tariff, as far as these items are concerned, with the Indian Customs Tariff. The principles of classification hitherto adopted through executive instructions are being incorporated in the tariff entry itself. The tariff entries relating to Iron and steel would be spelt out on a more scientific basis and the problems encountered in the matter of charging countervailing duty would also be reduced considerably. These changes would, however, be brought into effect from a subsequent date after the necessary groundwork. Till then, the present effective rates of duty would continue.

138. Lest this litany of measures give the impression that the Finance Minister's

proposals only relate to raising revenue, let me add that where appropriate I have tried, as I will be announcing now, some concessions in excise duties.

139. Sugar is an important item in the family budget. I propose to reduce the duty on both 'levy' and 'non-levy' sugar. The present ad valorem rates are being replaced by specific rates, that is 38 paise per kilogram on 'levy' sugar and 50 paise per kilogram on 'non-levy' sugar. The revenue sacrifice will be of the order of Rs.21.02 crores in a full year. I have, however, taken special care to see that the amount due to the States from additional excise duty in lieu of sales tax on sugar is not affected.

140. Housewives in India, as elsewhere, have been complaining for some time about the rise in their expenses. As a measure of economising on their fuel bills without affecting the nutritional and, hopefully, the gastronomic value of what they cook, I propose to exempt totally pressure cookers from excise duties. They would now find someone else in their kitchens letting off steam.

141. With the same intention of promoting fuel economy, I propose also to exempt fully from excise duty fuel efficient kerosene stoves.

142. The effective basic rates of excise duty on electric bulbs upto 60 watts and fluorescent tubes are now 10 per cent ad valorem and 30 per cent ad valorem respectively. As a measure to reduce the prices of these items, and thus help in the effort to shed more light at lesser cost, I propose to exempt fully the former from excise and reduce the basic duty on the latter from 30 per cent to 20 per cent ad valorem.

143. In consideration of the potential of multi-axled vehicles for fuel saving, I propose to reduce the effective basic duty on them from 15 per cent to 10 per cent ad valorem.

144. For the benefit of farmers, who use these fertilizers, I propose to fully exempt ammonium sulphate and calcium ammonium nitrate from excise duty, as also agricultural grade pyrites used for reclamation of alkaline soils.

145. Aluminium pipes used in sprinkler equipment for irrigation, which at present bear a basic duty of 16 per cent ad valorem, will also be fully exempted. Another proposal is for exemption from excise duty of internal combustion engines for agricultural sprayers, and also for powered cycles.

146. One of the factors leading to higher prices of prepared or preserved foods, and food products is the cost of the metal containers used in their packaging. I propose to exempt these items from that part of excise duty as is relatable to the cost of such containers. This should bring about a reduction in the price of these foods to the consumer.

147. Skimmed milk powder sold in packs upto 1 kilogram is also being fully exempted from duty as a measure to reduce its prices to consumers.

148. I also propose to fully exempt from duty several specified items of hospital furniture which should reduce the cost of acquiring them for the hospitals.

149. These excise duty concessions would cost the exchequer Rs.35.02 crores in a full year.

150. There are some other proposals in respect of customs and excise duties which are relatively minor. I do not wish to take the time of the House over them.

151. The proposals I have presented will yield revenue of Rs.409.00 crores in a full year in Central excise duties and Rs.397.96 crores in customs duties. The concessions and reliefs amount to Rs.83.58 crores on the Central excise side and Rs.4.93 crores on the customs side. The net yield is, therefore, Rs.325.42 crores from Central excise duties and Rs.393.03 crores from customs duties. The accrual to the Central Exchequer in a full year will be Rs.589.71 crores and the share of the States will be Rs.128.74 crores.

152. Where the changes are to be made by notifications effective from 1st March, 1983, copies thereof will be laid on the Table of the House in due course.

153. In framing the Budget proposals, I have been greatly helped by the observations and recommendations in reports of Parliamentary Committees and also the reports made so far by the Economic Administration Reforms Commission. My proposals reflect these recommendations, wherever feasible and appropriate, but I must add that it has not been possible for the Government to take decisions finally on all the recommendations in the reports. A number of them on important matters, such as a Tribunal for valuation of urban properties, will be processed for a Direct Taxes Amendment Bill, the preparation of which will be taken in hand.

154. This year I have not much to say on behalf of my Hon'ble colleague, the Minister of Communications as he has already taken care of himself. The postal services are being expanded every year to reach more and more people. Presently there are over 1,41,000 post offices, and an employee strength of about 5.8 lakhs including extra- departmental staff. With a view to meeting part of the increasing operating costs, it has become necessary to revise the postal tariff. While I do not propose to touch postcards and letter-cards, the tariff in respect of parcels is proposed to be increased to yield Rs.12 crores in a full year and Rs.10 crores in 1983-84. A Memorandum showing the proposed tariff is being circulated along with the Budget documents. The changes will take effect from a date to be notified after the Finance Bill is passed by Parliament.

155. I had earlier mentioned that the budgetary deficit at the existing rates of taxation would be Rs.2250 crores. The proposed tax measures, taken together with the reliefs and concessions, are estimated to yield net additional revenue of Rs.615.31 crores to the Centre and Rs.100.74 crores to the States during 1983-84. Besides, I am

taking credit for Rs.135 crores as receipts from the new Bond to be issued in terms of the approved investments to obtain exemption from capital gains tax. After setting off the receipt of Rs.55 crores from the existing National Rural Development Bonds already included in the Budget, the net yield on this account would be Rs.80 crores. The budgetary deficit would thus get reduced to Rs.1555 crores which Hon'ble Members would agree would not put undue strain on the economy.

156. Mr. Speaker, there are no easy answers or short-cuts to development problems faced by India. Whether we, as a nation, succeed or fail must ultimately depend on the quality of our economic management and the cooperation of our people. It is true that we have been able to maintain price stability despite a setback in agriculture in the current year, increase our national income by about 5 per cent per annum in the last three years and show some improvement in our balance of payments despite an unfavourable international environment. These achievements, however, must not lull us into a false sense of economic well-being. The road ahead is long and arduous. Given the resilience and dedication of our people, we can face the future with hope and confidence.

157. Sir, I now commend the Budget to the House.

(February 28, 1983)