



B U D G E T

1998 - 99

SPEECH OF
CHIEF MINISTER

Thiru M. KARUNANIDHI

Panguni 13, Thiruvalluvar Aandu 2029
27th March 1998

Speech of Thiru M. Karunanidhi, Chief Minister, Government of Tamil Nadu, presenting the Budget for 1998-99 to the Legislative Assembly on 27th March, 1998.

Hon'ble Speaker,

While presenting the budget before this House last year, while concluding my speech, I had stated thus:

“ In the southern part of India, Thanjavur was the capital of the mighty Chola empire where their imperial flag with the Tiger insignia was flying high. In this Thanjavur region, I was born and brought up in a village called Thirukkuvalai, in a most backward family engaged in agriculture with proficiency in music. Even as a young boy, I had a deep sense of self-respect and love for the Tamil language. I became a true disciple of Thanthai Periyar and then the affectionate younger brother of Arignar Anna and eventually a kin of the Tamil people dedicating myself to work for their betterment. In my 73 years, I have spent six decades in the cause of public service. In all these years of my dedicated public life, I have made this long journey with a vow that “Even if I were to fall, let Tamil live”. My sense of duty is such that even if I am thrown into the sea, I shall stay afloat like a catamaran for the Tamil people to ride upon. In my whole life I have had only one thought foremost in my mind, day in and day out, that is the right of the people belonging to the Scheduled Castes and Scheduled Tribes, Backward Classes and Most Backward Classes to

live with dignity. I have considered myself fortunate to be a humble soldier in their formation. I have identified persons among the forward communities who have the ability and concern for the rights and progress of these people. With their help, I have striven for the prosperity of the downtrodden. Even in my dream my yearning is to fulfil my vow to see God in the smile of the poor. This budget was prepared to transform that dream into reality and out of my unquenchable zeal to see in my lifetime a peaceful, prosperous and intellectually vibrant Tamil Society. I place this Budget before this august House with the assurance that when the people, leaders of parties and the Hon'ble members comment on this Budget, I shall in accordance with the Kural,

“ To discern the truth in everything, by whomsoever spoken, this is wisdom”

welcome the comments, rectify the defects and strive for perfection ”. With the same determination, I hereby place before this House, the Revised Estimates for the year 1997-98 and the Budget Estimates for the year 1998-99.

2. Since the policies of this Government have been elucidated in the Governor's address, this budget contains concepts, new schemes, targets and activities to be implemented based on those policies.

3. In commemoration of the great author of Thirukural, Thiruvalluvar of world wide fame, this Government, which had built “Valluvar Kottam” in the State capital, had decided in the cabinet meeting held on 31st December, 1975 to instal a statue of Thiruvalluvar in the southern tip of the country at Kanyakumari and after having overcome the setbacks in the intervening period, the function to commence the construction work was conducted by this Government in 1990. I am very happy to announce that this work will be completed by the end of the next year.

This budget has been prepared without deviating from the important policy stated in the Governor's address:

“This Government has taken an important policy decision to focus on schemes which will provide basic facilities needed by the public such as food, clothing, shelter, drinking water, roads, education, public health and storm water drainage quickly rather than according priority to grandiose schemes which require many years for implementation”.

CENTRE STATE RELATIONS

4. Though the demand of this Government, which has been advocating autonomy for the States and federalism at the Centre, to devolve one third of the gross tax receipts of the Central Government to the States was not fully accepted, the United Front Government had agreed to devolve 29% of the gross tax receipts of the Central Government to the States with effect from 1.4.1996. We request the Central Government to implement this decision quickly.

5. It has been announced that the additional revenue to the Central Government on account of the Voluntary Disclosure of Income Scheme (VDIS), would be about Rs.10,500 crores. The former Union Finance Minister had stated that 77.5% of this amount would be devolved to the States, of which Rs.4,400 crores will be shared with the States in the current financial year and the balance during the next financial year. I welcome the acceptance by the present Union Finance Minister of the request that, having regard to the financial position of the States, the entire receipts should be shared this year itself.

LOCAL BODIES

6. Government will take a decision on the recommendations of the committee constituted to consider transfer of additional powers to the local bodies quickly.

estimates for the pay revision to government employees and devolution of funds to the local bodies and payment of pension are the main reasons for this increase.

162. The overall deficit in respect of all accounts in budget estimates for 1998-99 has increased to Rs.876.67 crores.

163. It is essential to undertake suitable measures of taxation and expenditure control to bridge the revenue deficit.

MOTOR VEHICLE TAX

164. The tax on contract carriages (Omni buses) is raised from Rs.1,500 per seat per quarter to Rs.2,000 per seat per quarter.

165. The system of lifetime tax for two wheelers introduced to avoid the hassles faced while paying annual tax for motor vehicles has been working well. On the same lines it has been decided to introduce this lifetime tax system in respect of four wheel motor vehicles. New vehicles will be compulsorily subject to lifetime tax. Persons already owning such vehicles will have the option of paying the lifetime tax in lieu of annual tax. Necessary amendment to the relevant Act will be introduced.

COMMERCIAL TAXES

166. As you are aware, this Government has been granting tax concessions for essential commodities which are in daily use. It is the policy of this Government to reduce the tax burden on commodities used by the poor and the middle income group.

Accordingly

- * **Tax on copra is reduced from 2% to 1%.**
- * **Tax on food products without brand name manufactured by bakeries in reduced from 8% to 4%.**

- * **Tax on masala powder without brand name commonly used for cooking is reduced from 16% to 4%.**
- * **Tax on branded masala powder is reduced from 16% to 11%.**
- * **Tax on branded icecream is reduced from 16% to 11%.**
- * **In order to encourage extraction of oil from rice bran exemption is granted for sale of de-oiled rice bran.**
- * **Tax on dust, husk splits and brokens of peas and peas dhall is reduced from 11% to 4% in line with similar commodities.**
- * **Exemption is granted for oils used for cooking like groundnut oil, cocount oil, ginger oil, refined oil and sunflower oil.**
- * **As this Government is reviving the eye camp programme, Intra Ocular Lens will be exempted from tax.**
- * **Kasini Keerai used for medicinal purpose will be exempt from tax.**
- * **Tax on cement hollow block is reduced from 16% to 4%. This would pave the way for economising construction material and reduction of the cost of construction.**
- * **Information Technology industry in Tamil Nadu is making rapid progress. At this juncture of many software companies commencing their operation in Tamil Nadu, Computer Software is granted exemption from sales tax.**
- * **Rubber industry has been seeking concessions under section 3(3) of the General Sales Tax Act for purchase of raw rubber. As the sale is made by planters who are non assessees this concession is not available. To provide relief to the industry, it is proposed to allow to be set off in the tax liability of the products, an amount equal to the purchase tax paid on raw rubber above the concessional rate. The conditions of section 3(3) will be applicable in this case also.**

Consequent on the concessions granted last year in local sales of notebooks made out of paper purchased within the State, exemption on inter State sales tax is not available. Based on the representations received in this regard, it is proposed to exempt from tax inter-State sales of notebooks made out of paper which suffered tax in the State.

- * In the last two years, Government has taken several measures to simplify the taxation, structure, Rigors of taxation have been reduced for the honest tax payers by simplification of procedures. As a continuing step in this direction, it is proposed to accept accounts of traders with sales turnover above Rs.10 lakhs and below Rs.20 lakhs on basis of audit and certification by a chartered accountant. 10% of these cases will be test checked by the department. It is also proposed to raise the turnover limit for registration of traders from Rs.75,000/- to Rs.1,50,000/-. By these changes more than 19,000 small traders will be benefited.**

167. Enhancement of the rate of tax of certain commodities is unavoidable to bridge the deficit in the Budget. Yet while making these changes in tax rate the welfare of the people and the tax burden on them will be kept in mind. Based on this policy, a few changes have been proposed this year.

168. The tax on Indian Made Foreign Liquor is increased from 30% to 40% and on Foreign Liquor from 60% to 70%.

169. Tax on pan masala is increased from 20% to 30%.

170. Due to the different rates of entry tax for dealers and nondealers purchase of vehicles outside the State is continuing. Therefore the entry tax for a nondealer is increased to the level of entry tax for dealers.

171. Two years ago certain changes in additional sales tax were introduced. The increase in the basic tax to compensate the reduction in additional sales tax has not been adequate. With this background, certain

changes in the tax structure in additional sales tax payable by companies having their headquarters in Tamil Nadu have been proposed:

Companies with a taxable turnover above Rs.25 crores and upto Rs.50 crores will be subject to an additional sales tax of 1.5%. Companies with a taxable turnover above Rs.50 crores and upto Rs.100 crores will be subject to an additional sales tax of 2%. There will be no tax liability for companies with a taxable turnover upto Rs.25 crores.

172. To reduce evasion of tax and to increase sales within the State, certain reductions in tax were made last year. It was announced that if on review these changes did not lead to an increase in tax revenue, suitable changes will be made. Tax on sale of man made fibre and yarn was reduced from 8% to 2%. As the yield has fallen contrary to expectations, tax is raised to 8% again.

173. It is proposed to bring the amusement parks within the ambit of entertainment tax. Tax at the rate of 20% on the collections made from the visitors to the parks will be levied. 90% of the levy will accrue to the local bodies.

ADDITIONAL RESOURCES

174. We need more resources for providing essential facilities required by the public. Budgetary resources are insufficient for provision of these facilities. The Committee constituted under the Chairmanship of Thiru S.Venkitaramanan, Member, State Planning Commission to advise the Government on mobilisation of extra - budgetary resources has given its recommendations.

175. The Committee has recommended that it will be possible to raise additional resources by implementing the small savings scheme intensively. By involving local bodies in this scheme, it is proposed to make available a part of the additional loan obtained by the Government based on additional net collection of small savings as an incentive amount to enable them to undertake investment in basic facilities in their areas.