SPEECH OF
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INTRODUCING THE BUDGET FOR THE YEAR 1975-76*

Highlights

— *Steps to provide Stimulus for Stabilizing the Economy*
— *Launching of National Seeds Projects*
— *Farmers' Service Societies to provide Credit to the Farmers*
— *Comprehensive Survey of Natural Resources to make the Developmental Plans meet Local Needs*
— *Amendment to Restriction of Dividends Act*
— *Schemes to counter Imbalances created in the Economy*
— *Introduction of an Incentive Bonus Scheme*

Speaker Sir, it is my privilege this year to present the Budget to this august House.

Its formulation has been no easy task, but my burden has been lightened to some extent by my distinguish predecessor in office who had applied many correctives earlier in the year; these severe measures had a distinct impact on an admittedly difficult economic situation that our nation has of late been faced with.

It is unnecessary for me on this occasion to recount in detail the variety of factors, both external and internal, which have interfered with the orderly implementation of our development plans and strategies in recent times. The virulence with which inflation has been spreading and its devastating impact across national boundaries, continue to impose on developing countries such as India burdens and hardships which we have been ill-equipped to withstand. The impact on the living standards of our people and on the pattern of real incomes within the country has been serious enough. What is even worse is the persistent rise in prices which has eroded the capacity to save and thus imposed a painful

* *Lok Sabha Debate,* 28.2.1975, cc. 298-336.

constraint on the flow of investible resources so urgently needed to sustain our plans for a better future. The 'Economic Survey' sets out in some detail the anatomy of this complex problem and the characteristic features of the current situation.

It is against this backdrop that I would like the honourable members to assess and to judge my Budget proposals.

What, one might ask, has been the underlying approach—the basic philosophy—in framing these proposals? Is it merely an ostrich-like exercise to balance, receipts and expenditure for the Exchequer? Or does the Budget seek more positively and purposively, to subserve larger national objectives?

The answer is, of course, clear and unequivocal. We do look upon the Budget as an important tool for reaching our cherished socio-economic goals. Development, the security of our country and growth along with social justice continue to govern our priorities; these objectives determine our decisions on how much to spend; on what programmes to spend and in what manner the resources are to be raised. The pattern of our outlays, as well as the relative weight of particular instruments in the raising of resources might vary-indeed, may well need to be deliberately fashioned afresh-from time to time, in response to changing circumstances and requirements. But about the over-riding concern and commitment to deliver the masses from grinding poverty there can, of course, never be any doubt or vacillation. I shall spell out a little later in my speech, the concrete steps contained in this Budget to take the nation forward in this direction.

The immediate concern of our fiscal and monetary policies has been naturally to bring inflationary pressures firmly under check. A series of steps had to be taken—some of them unpalatable and unpopular—to restrain and discipline the demand pressures operating on the limited availabilities of food and fuel of clothing and housing, of transport and power in an economy besieged by rising prices. In the shortrun, there was no equally effective alternative open to the planners and policy makers to balance demand and supply of these essential goods and services for containing inflation. These present a great challenge to our nation and call for courage and fortitude.

However, only incurable pessimism will, I think, bar us from acknowledging with some satisfaction the fact that already there are visible signs of a downward trend in prices. The 'Economic Survey' provides some details of price trends for important commodities. They give room for some satisfaction but ordinary prudence demands that we continue to be conscious of the fact that the fever of inflation has not been entirely cured; it has as yet only shown signs of some abatement.

But then, let us also remind ourselves that the problems of poverty in our country cannot be solved by merely holding the price line. We can meet them only through growth. A rapidly growing economy is the best insurance against perpetuation of poverty; indeed it is the only solution. We have, therefore, to devise ways and means of stimulating production from the available capacity and of adding to that capacity in sectors considered vital for improving income and consumption levels of the poor. This requires a multi-pronged drive to augment our capital, and improve our technology and management. The Budget proposals which I shall set forth presently, embody certain specific steps to provide the stimulus to the economy on these lines, as part of a long-term strategy for stabilizing and on that basis imparting greater viability and vitality to our economy.

Our ability to meet the minimum basic needs of our people depends crucially on the trend in agricultural production. It is in this light that I regard the claims of agricultural growth as the first charge on our developmental resources. Modern agriculture is interlinked with industry. Fertilizers, pesticides, agricultural implements and equipment besides supply of power determine agricultural productivity, as much as seeds and water. The sectors of our industry which supply these vital inputs to our agriculture, therefore, merit the highest priority.

The continued sluggishness of Indian agriculture since 1971-72 has contributed significantly to the distortions which have emerged in our economy in the past two or three years. The causes for this sluggishness have been carefully analyzed; we have identified a series of measures directed towards imparting a new momentum to this vital sector. The prospects for the forthcoming *rabi* crop are encouraging. This should not, however, make us complacent in our drive for higher productivity from the land and labour employed in agriculture. A sustained increase in productivity will call for action on many fronts.

The first priority is, of course, the supply of good quality seeds of the high-yielding varieties. A major National Seeds Project for large-scale production of quality seeds has been launched. This project will cover production, processing, marketing and quality control of seeds. Regional and State-level Seed Corporations with a time-bound programme of self-sufficiency in meeting in full the demand for high quality seeds, are being established. Agricultural Universities will be involved in the work to ensure quality. The research and teaching staff as well as the students are to be involved in solving the practical problems of seed production and supply. Arrangements are also being made for an effective seed certification programme, and for the build up of national and local buffer-stocks to meet emergency needs. The financial and other requirements of this programme will be fully met.

Secondly, fertilizer production programmes are being pushed through, notwithstanding the escalation in project costs of the new units. The public, the co-operative, as well as the private sectors have been given a role in bringing to fruition additional fertilizer capacity during the Fifth Plan period so that dependence on imports which is costly and unreliable at best—could be mitigated if not done away with altogether.

Thirdly, programmes designed to ensure optimum utilization of surface and ground water to aid agricultural production will be pushed through. Command area programmes under major irrigation projects will be supported by sufficient inputs of men and materials so that the new potential is taken advantage of by farmers with the least delay and for maximum social benefit. Inter-State river disputes, which unfortunately have been dragging on without solution for a number of reasons in the past, are now being looked into with a special sense of urgency. As a result, the progress in some of the cases has been quite appreciable. Failure to settle these disputes is leading to waste of water and sacrifice of additional agricultural production that the country so desperately needs.

Fourthly, special efforts are being made to organize Farmers' Service Societies to provide credit to the farmers in time, to arrange for inputs and to help in processing and marketing of the produce. A high-powered group which examined this problem has formulated a scheme for the formation of viable multi-purpose societies linked to Central Cooperative Banks or Commercial Banks as the case may be. These recommendations have been accepted by the Government and the Departments concerned are working out a programme of action in order that the objective of timely and adequate supply of credit backed by physical inputs covering processing and marketing is realized, particularly for the benefit of the small and medium farmers.

Next only in importance to the agricultural sector is the energy sector. The nationalization of coal is beginning to yield results. During the current year the production of coal is expected to go up by about 10 million ton to a record level of 88 million ton. I would like to say a special word of appreciation and thanks to the workers in the coal mines; without their enthusiastic cooperation we could not have achieved the increase in production. Re-organisation in the management of mines and supply of much needed equipment spares and technical expertise have laid the foundations for an expanding trend in coal output. Two of the major constraints on coal production, namely, shortage of rail transport and power, especially in the eastern sector have now been largely removed. With the present trend it is expected that during the next year, coal production will go up by another 10 million ton, that is, to 98 million ton. At this level of production, it should be possible to meet the domestic demand in full (including partial substitution of coal for furnace oil); we might also perhaps export some quantity for earning much-needed foreign exchange.

The immediate impact of the steep increase in the prices of crude oil and the petroleum products, was, no doubt, to strain the country's balance of payment severely. At the same time this has given a new sense of urgency and momentum to our efforts to increase production of indigenous crude. The anticipated increase within as brief a period as one year between 1974-75 and 1975-76, is from 7.6 million ton to 8.4 million ton, an increase of about 12 per cent. What is more important is the progress achieved and the potential that is opening up for a major break-through in the indigenous production within the next 5 to 10 years. The discovery of oil deposits in the structures known as Bombay High is already known. The Oil and Natural Gas Commission is expected to establish the first stage of production from Bombay High in the second half of 1976 with a yield of about one million ton* per year. By 1980, production from this source might well reach the level of 10 million ton, though one may have to wait a little before making firm estimates. The Bengal and Kutch off-shore basins are also being intensively surveyed and the preliminary results so far obtained appear encouraging. The dynamism exhibited by the Oil and Natural Gas Commission merits our appreciation.

After a period of stagnation and shortage with widespread consequences to both industry and agriculture, recent trends in the production and distribution of electricity also show a welcome improvement. The entire electricity industry is being restructured with accent on professionalism, efficiency, competence and precisely defined responsibility for the staff. As a result of these measures, there has been distinct improvement in the levels of power generation in the eastern region. The Central Electricity Authority is being reactivised and the State Electricity Boards are being helped to professionalise their management, to arrange for maintenance services and to improve staff skills. These programmes

* One ton (also known as metric ton) is equal to 1,000 kg.

as well as recent achievements portend an easier power supply situation than has been the case in recent years. The Government are also actively examining the possibilities of setting up at the pit heads of major coal fields in the country a number of super thermal power stations. These Centrally-owned power stations would enable the Union Government to even out to some extent, the regional imbalances in power availability, augment the power supply substantially and to bring about a more rational approach to the problem of generation and distribution of power in terms of real needs.

I wish to submit that the important feature of this Budget is a clear-cut identification of these twin priorities—food and energy with the supporting facilities—and the earmarking of adequate funds for the development of these two sectors in the first instance before taking up the claims of other sectors. This is the kind of inescapable and often cruel choice which planners and policy-makers in developing countries are called upon to make, best as they are with scarce resources and multiple needs have, no doubt, that the honourable members will endorse the over-riding priority that is being accorded in the Budget to the food and energy sectors of the economy, even at the risk of depriving some of the other sectors. I should perhaps, add that in so doing we are observing the basic investment strategy underlying the draft Fifth Five Year Plan.

Nor would this clear-cut adherence to priorities be confined to the Central Budget only. In the course of the discussions with the State Governments for fixing the magnitude and pattern of the State Plans for 1975-76, it has been ensured that the requirement of agriculture, irrigation and power are met as a matter of first priority and only the balance of scarce resources distribution among other sectors. I would here like to express my gratitude to the Chief Ministers of State Governments and Union Territories for their willing support and cooperation in agreeing to frame their plans within this broad pattern of national priorities.

In striving to stimulate production in areas of high priority we have not lost sight of two other equally important considerations—one relating to the human and geographical aspects of production, and the other, to the proper distribution of the goods produced. The needs of relatively weak producers and backward regions will continue to receive special attention and support. The problem of production, of diffusion of income and employment, of reduction of inequalities, and of ensuring minimum consumption standards for all have to be looked at in their entirety. The specific programmes under these heads should not only be mutually consistent with each other, but should be so designed that they facilitate and reinforce each other. The increase in agricultural output that we are aiming at is thus not a matter of mechanically reaching a magic number. Considerations of balance between classes of farmers and of regions, and of ensuring a pattern of production that is in consonance with our socio-economic objectives are equally important.

If the fruits of economic development are to be equitably distributed, adequate attention will have to be paid to the problems of relatively backward regions and districts. To that end, development plans have to be drawn up on the basis of a careful analysis of local needs, potentialities and resources. In this connection, I would lay great emphasis on a comprehensive survey of natural resources in all districts of India. This would enable us to work out operationally meaningful plans and programmes to make optimum use of locally available resources along the lines of the now well-known Karimnagar Project in Telangana.

In spite of the various prophecies of doom one hears these days, I am definitely optimistic that the pace of economic development will be considerably accelerated in the coming years. I must, however, point out that the full realization of our growth potential will require sustained hard work and the utmost discipline on the part of all sections of the community. We are currently faced with an acute scarcity of domestic financial resources. Our balance of payments position is also under strain. In order to deal effectively with the tasks that lie ahead, we must do everything in our power to increase our exports, and economize in the use of scarce imported inputs. Higher investment in the key sectors is essential, but it must be financed in a non-inflationary manner. This means we must increase the rate of savings. As part of the strategy of discouraging excessive current consumption, we need to evolve a more rational wage and salary structure, which should be more equitable than the present structure, and also in conformity with the changing demands for skills in a dynamic economy.

In our quest for accelerated growth combined with stability, I place the highest importance on protecting the more vulnerable sections of the population against shortages and the high prices of essential commodities. For this we must have a well-functioning public distribution system for certain basic essential commodities. There must be greater certainty of supply, and the system must, in fact, serve those whom it is meant to benefit. I, therefore, seek an expansion of the public distribution system, and this pre-supposes efficient arrangements for the procurement of the needed commodities. I am glad that procurement of *kharif* cereals during the current year has proceeded satisfactorily. This, combined with adequate imports, will certainly be of considerable help in the operation of an effective public distribution system of foodgrains in the coming year.

Cloth is another commodity that must be provided. With the recent enactment of the Sick Textile Undertakings (Nationalisation) Act, the Government have acquired 103 textile mills whose management had earlier been taken over by the Government. The acquisition of these mills provides the Government with another very useful instrument to regulate the production and distribution of cloth. The Government are now considering further steps to ensure that the production of controlled cloth is in line with the agreed target and that this cloth reaches those sections of the community for whom it is meant.

Since resources are scarce, the utmost emphasis has to be laid on increasing productivity. This is a task which requires all round improvement both in public administration and the management of enterprises. I have every hope that recent innovations such as the system of internal financial advisers, performance budgeting, and greater emphasis on monitoring and information, will help to tone up the quality of public administration. I am happy to note the emphasis being laid on promoting higher productivity in all manufacturing public sector enterprises by applying more scientific policies in the fields of personnel administration, management development, materials management and management information systems and above all, through the introduction of modern productivity techniques. The improved performance of a large number of public sector enterprises is a testimony to growing productivity consciousness in the public sector.

I believe this House will concede that as a result of rigorous measures adopted by the Government, we have succeeded in combating what seemed to be a run-away inflationary situation. To achieve this, Government non-developmental spending was curtailed, increase in wages and a part of additional dearness allowance had to be temporarily frozen, the increase in the rate of money supply drastically brought down, and severe action taken against hoarders and smugglers. As a result of these efforts, for the last few months prices have been slowly but steadily coming down. This is no mean achievement when we consider that in most other countries around the world prices continue to rise. While continuing this policy of rigorous control on spending, there is also need, as I have mentioned earlier, for increased investment, both by the Central and State Governments, and the private sector, in important priority areas. It is one of the objects of this Budget to help achieve this. While the rate of spending in other areas must remain low, this is also the time to prepare the ground and to the necessary investigations to prepare for higher investment in later years. This we are engaged in it is our purpose to invest now in projects in important areas that will yield quick results, and complete those, in an advanced stage of implementation. Also important is the need to promote domestic savings and to stimulate investment. These various objectives we seek to achieve through the present Budget.

I have just mentioned the need to stimulate investment. The capital market has been depressed of late, particularly after the Restrictions on Distribution of Dividends Act. The Unit Trust of India (UTI) had to face a situation in which repurchases were much higher than the sale of units. The Government, therefore, issued an Ordinance providing for certain tax relief and other remedial measures which have greatly improved the situation. For improving the capital market, I intend to introduce soon an amendment to the Restrictions on Distribution of Dividends Act which will provide that while dividends in excess of the various limitations laid down in the Act may not be paid, higher dividend can be declared, the deferred dividend being payable in two annual instalments, but without interest, when the present Act expires. These measures will improve the climate for investment particularly in respect of new issues.

I am also conscious of the fact that in recent years, there have been steep escalations in capital costs which have acted as an inhibiting factor to new investment in certain capital intensive industries which are vital for our future growth. The Government have appointed a high-level committee to go into this question. When the report of this Committee is received, we shall quickly examine the need for suitable fiscal concessions, and new pricing policies as a means of stimulating fresh investment in these areas.

The experience of the last two years amply demonstrates that effective steps to eliminate the black money economy must constitute an essential component of our strategy to impart a measure of stability to the economy, and to divert the available pool of national savings for high priority investments. I wish to reaffirm that the Government is firmly committed to root out the evil practices of smuggling, hoarding, black-marketing and tax evasion and have given evidence of their determination in this regard. In this context a separate law for dealing more severely with various economic offences seems to be a necessity.

Having thus outlined our approach, I will now give some details of the Revised Estimates for 1974-75 and the Budget Estimates for 1975-76.

Revised Estimates 1974-75

The original Budget for the current year envisaged a deficit of Rs. 126 crore. It has not been possible to adhere to this figure because many of the assumptions on which the original Budget was framed have been affected by adverse trends in the economy, most particularly the phenomenal price rise this year. The various reasons for this I shall explain.

The provisions in the Budget for food subsidy was Rs. 100 crore. In view of the difficult food situation and the need to maintain the public distribution system at the level of 11 million ton, in 1974, we had to arrange for the import of as much as 5.5 million ton of foodgrains. The cost of imported foodgrains also went up greatly. Food subsidy during the year is now expected to amount to Rs. 295 crore.

The provisions for salaries of the Central Government employees included in the Budget for 1974-75 were based on the price level reached up to December 1973, and a lump sum provision of Rs. 120 crore was made to meet the cost of additional allowance. On the basis of the price increase up to April 1974, three instalments of dearness allowance were sanctioned. Prices, however, continued to rise till September 1974, and three further instalments of dearness allowance fell due on the basis of the dearness allowance formula accepted by the Government. In view of the likely unsettling effects of further dearness allowance payments on the economy, it was considered necessary to review these arrangements. Subsequently, in consultation with the Government employees, it was decided to sanction instalments which fell due on the basis of the average price index up to 272. It was also agreed that arrears on this account up to December 1974, payable in cash, would be deposited in the provident fund accounts for a short period. I must express my gratitude to the employees for their understanding and cooperation in meeting the present difficult situation. This has enabled us to restrict the draft on the Budget on account of six instalments of dearness allowance to about Rs. 230 crore in the current year. This is still Rs. 110 crore more than the provision of Rs. 120 crore made in the Budget.

Defence expenditure for the current year will be Rs. 2,157 crore as against Rs. 1,915 crore in the original Budget. Apart from a liability of about Rs. 95 crore on account of dearness allowance, the increase is mainly due to revision of pay scales, rise in prices of petroleum products and the higher cost of provisions and transport.

Another reason for increase in the deficit has been the drought and flood with which many parts of the country have been affected. As the honourable members are aware, the Central assistance for drought and flood is being made available now only by way of advance release of Plan assistance, or assistance under the Drought Prone Areas Programme, Tribal Development Plans, etc., so that plan priorities are not disturbed or distorted and that productive and durable assets are created through this assistance. Such advance assistance will be adjusted against the normal Plan assistance due to the States in the ensuing years. In accordance with this policy, advance Plan assistance of Rs. 55 crore has been allocated to the States for drought and flood relief measures in the current financial year. Apart from this, additional assistance has been made available to the States concerned under the Brahmaputra Flood Control Works and Drought Prone Areas Programme also. With these and certain other inescapable commitments towards the States, including release of loans against small savings collections in 1973-74, the additional assistance to the States will amount to Rs. 161 crore.

Other causes for the higher deficit relate to public sector enterprises, fertilizer imports and additional spend-about Rs. 95 crore on account of bearing on core sector projects. A few of the enterprises did not have an adequate surplus to repay loans taken from the Government. It, therefore, became necessary to provide additional assistance of Rs. 126 crore to a number of undertakings mainly because of increase in wages and dearness allowance and higher cost of fuel which had not been foreseen in the Budget.

The Budget for 1974-75 did not envisage any net outgo on fertilizer transactions. The issue price from the pool was raised only from June 1974. Subsequently, in order to meet the urgent demand for fertilizers, an additional quantity of nearly 1 million ton had to be imported at considerably higher international prices. There is usually a time lag of about four months between the payment for purchases abroad and the cash recovery from State Governments of the cost of fertilizer issued to them. Because of this time lag, large fertilizers imports have been paid for by the Central Government, but their cost will not have been recovered from the States by the end of this year. The Central Budget, therefore, has to bear this burden. As of now, the estimate of cash outgo on account of fertilizer transactions is about Rs. 290 crore.

As the House is aware, a series of economy exercises were effected in August 1974, locating considerable savings in expenditure. However, additional allocations of Rs. 190 crore had to be made for Plan schemes in the core sectors like fertilizers, power, coal, petroleum, steel, ports and paper to maintain their schedules, and provide for escalation in costs. Economies anticipated in other sectors could not be realized in full due to steep rise in costs. As a result, the net expenditure on Central Plan will go up by Rs. 74 crore.

All these adverse factors would have raised budgetary deficit to a very high level, but for the fact that the position has been retrieved to a large extent by the buoyancy in tax receipts.

Receipts from Customs are expected to yield Rs. 1,300 crore against the Budget estimates, of Rs. 936 crore—the improvement being mainly on account of larger import of fertilizers, iron and steel, and a large increase in the prices of items like fertilizers, machinery and equipment.

Income and Corporation Taxes are now expected to yield Rs. 1,460 crore as against the original Budget estimate of Rs. 1,370 crore.

There is not likely to be any appreciable increase in the collection of Union Excise duties over the Budget estimate, as adjusted by levies imposed in the Second Finance Act, 1974.

The strategy of concentration on higher income groups and a general tightening of the tax machinery in all branches has yielded good results. I would like to commend the devotion to duty and the zeal shown by the officers and staff of the revenue collecting agencies.

External receipts on account of loans, shows an increase of nearly 43 crore mainly on account of larger receipts against debt relief from the members of the India Consortium, and larger non-project loans from IDA. Grants from external sources in the Revised Estimates in terms of actual receipts show an increase of about Rs. 60 crore mainly on account of assistance which India has received from EEC and the UN Fund for Emergency Relief for countries most seriously affected by the oil crisis, and additional assistance from some other countries.

Even at the risk of rendering the supply position in the domestic market a little difficult, the Government took the hard decision of allowing the export of nearly half a million ton of sugar. While improving our balance of payments position, this has also benefited the Budget to the extent of Rs. 125 crore by way of profits.

Even at the risk of rendering improvements, the year may end with a deficit of Rs. 625 crore. However, nearly Rs. 330 crore of this is on account of payments for stocks on hand of imported food and fertilizers, which will soon be recovered. As both these commodities have been purchased abroad, by drawing down our foreign exchange reserves, there is no resultant increase in money supply and the deficit to the extent of Rs. 330 crore is, therefore, non-inflationary in character.

Budget Estimates 1975-76

In the context of continuing shortages in the economy, and the impact of the price rise, framing the Budget for the next year has not been an easy task. While developmental requirements must receive the highest priority, the draft on the Budget for essential non-Plan requirements like

Defence, the food subsidy, and the maintenance of social services cannot be ignored, and are substantial. I have endeavoured to balance two paramount but somewhat conflicting needs in this Budget—the short-term need to keep in check inflationary pressures, and the equally important requirement to sustain the tempo of development, which in the ultimate analysis is the real solution to the problem of inflation. I am only too well aware that any slackening of our development effort will compound our problem in the future.

The projections of receipts for next year at the existing rates of taxation take into account the satisfactory trends witnessed in the current year. Income and Corporation Taxes are expected to yield Rs. 1,570 crore and Union Excise duties Rs. 3,500 crore. Receipts from Interest tax are expected to be Rs. 60 crore. Customs receipts will, however, be less by Rs. 50 crore next year because of lower imports of steel, and the bunching of fertilizer imports towards the end of the current year.

The Budget also assumes a credit of Rs. 125 crore towards profits on export of sugar on the assumption that exports next year will at least be of the same order as this year.

Receipts from external loans are estimated at the same level as this year's Revised Estimates. The steep rise in the prices of petroleum products has greatly strained our balance of payments. The position would have been worse but for generous gestures by Iran, Iraq and Abu Dhabi. We hope to secure oil credits from these countries which will provide a support of Rs. 230 crore to the Budget during 1975-76.

In view of the pressing need to save maximum resources for the Plan, utmost care has been taken to contain non-Plan expenditure. But, we have to provide for minimum needs in certain areas which are important for security, the maintenance of development work and for safeguarding the interests of the weaker sections of society. Apart from debt servicing and other obligatory items of expenditure next year, Defence expenditure would be Rs. 2,274 crore as against Rs. 2,157 crore in the current year. Food subsidy for 1975-76 is estimated at Rs. 295 crore. As the performance of public sector undertakings is expected to improve, non-Plan assistance to these undertakings will be less next year by Rs. 78 crore than the provision in the current year of Rs. 217 crore. The outgo on fertilizer transactions next year is estimated at Rs. 140 crore.

The entire question of dearness allowance increases to the Central Government employees is to be discussed with their representatives in the next few weeks. It is now widely recognized that evolving effective measures for remedying the causes of inflation, though unpleasant and hard, should be preferred to frequent adjustment of prices, incomes and wages, which greatly hampers the process of planned growth. In a country where there is considerable unemployment and underemployment, an excessive preoccupation with the current consumption of those who are fully employed erodes investible resources and seriously affects the pace at which new employment opportunities can be created to alleviate the sufferings of those who are unemployed. Additionally an increase in monetary rewards not justified by an increase in the country's productive capacity, accentuates inflationary pressures in the economy; this may also threaten the security currently enjoyed by those who are fully employed. While I am, therefore, aware of the hardship caused to the Government employees by price rises, I earnestly hope that in our forthcoming discussions the dearness allowance question will be considered in this larger perspective.

After a careful and detailed sectoral review of the Plan requirements for next year, it was felt that the allocation in the Central Budget for the Central, State and Union Territory Plans should be at least Rs. 3,612 crore, if our long-term objectives and urgent priorities are to be adequately fulfilled. This budgetary support of Rs. 3,612 crore includes Rs. 1,054 crore for States and Union Territories Plans including the hill and tribal areas sub-Plans, the requirements of the North-Eastern Council and assistance for power schemes channelled through the Rural Electrification Corporation. It also includes Rs. 100 crore of special advance Plan assistance to certain States which may have gaps in resources on the basis of Central assistance at the current years level, to ensure adequate investment in important projects in the core sectors of irrigation and power. Budgetary support for the Central Plan will be Rs. 2,558 crore. The total Central Plan outlay next year inclusive of extra budgetary resources will be Rs. 3,154 crore. The States and Union Territories Plans will be of the order of Rs. 2,806 crore. Thus, the total Plan size for 1975-76 will be Rs. 5,960 crore which in financial terms represents an increase of 23 per cent over the 1974-75 Plan of Rs. 4,844 crore.

Budgetary provision for the Central Plan of Rs. 2,558 crore represents a step up of Rs. 429 crore over the revised estimate of Rs. 2,129 crore in the current year. I am conscious that a more substantial step up in the Plan investment to provide for achievements of draft Fifth Plan targets in all sectors would have been desirable from the long-term perspective of the economy. But, we cannot forget that large scale deficit financing leading to further price increases will substantially erode the real content of the Plan and cause more damage to the programme of planned development. We have, therefore, as I stressed earlier, adopted a selective approach and given priority to key sectors of the economy like agriculture, power, fertilizers, coal, petroleum, essential industries like cement, paper and ship-building and transport over all other sectors, and even over long gestation projects in the core Sectors.

As agriculture is the backbone of the economy, special care has been taken to set up the investment in this Sector substantially—from Rs. 193 crore in the Revised Estimates to Rs. 270 crore. The allocations include Rs. 50 crore for the Agricultural Refinance Corporation, Rs. 25 crore for Drought Prone Areas Programme, Rs. 22 crore to small farmers and marginal farmers development, Rs. 16 crore for command area development, Rs. 23 crore for agricultural research and education, and Rs. 43 crore for the co-operative sector, including the cooperative fertilizer factories.

There will be an increase of Rs. 84 crore in investment in fertilizer production over the current year's level of Rs. 192 crore. Adequate funds are being provided for Nangal Expansion, Ramagundam, Talcher, Haldia and Cochin Phase-II, and for several new plants such as Trombay IV and V, Bhatinda and Panipat and a new project at Sindri.

The Budget, support for the power sector including support for Rural Electrification Corporation will be Rs. 140 crore in the next year. Substantial provision has been made for continuing projects like Badarpur extension, Loktak, Baira Siul and Inter-State Transmission Lines. Further, there will be an aggregate provision of the order of Rs. 900 crore in the State Plans for power.

The Budget provision for coal represents a substantial increase from Rs. 141 crore in this year's Revised Budget to Rs. 229 crore. Coal Mines Authority and Bharat Coking Coal Ltd., have been allowed larger provisions to enable the achievement of the target of production of 135 million ton by the end of the Fifth Plan. Provision has also been made for stabilizing the production of lignite at Neyveli at 4.5 million ton.

The Budget provision for petroleum and petro-chemicals has also been greatly stepped up to Rs. 170 crore in 1975-76 as against Rs. 60 crore in 1974-75 Revised Estimates. There will be a considerable increase in the provision for the Oil and Natural Gas Commission, Oil India and Indian Petro-Chemicals Corporation. As the House is aware, a cess was levied in the current year for the development of the oil industry, and the Oil Industry Development Board was set up to coordinate the various development projects to be undertaken for oil development. A sum of Rs. 61 crore from this cess over and above the budgetary support will accrue to this Board next year to be used for oil development.

The provisions in the steel sector, particularly for Bokaro and Bhilai expansion, have been fixed taking into account the likely demand for steel. Full provision has been made for completion of the Korba Aluminium Project.

Next year's Plan makes adequate provision for continuing projects for cement production and also for 3 new projects. The Paper Mill in Nagaland is being given high priority. Modernisation of textile mills taken over by the National Textile Corporation has also received special attention.

In the Transport and Communications sector, all continuing major ports, shipping, ship-building and aviation projects have been adequately catered for.

Social Services have not been neglected. Increased provision over the revised estimates for this year has been allowed for village and small scale industries, education, health, family planning, housing and urban development and welfare of backward classes.

As the honourable members are aware, two schemes, one for compulsory deposit of increases in wages, and 50 per cent of the additional dearness allowance, and another for compulsory deposit of a percentage of the income of income-tax payers were introduced in July last. These were necessary to counter the serious imbalances created in the economy by the large increases in money supply. We are happy that these measures, along with other steps taken to curb inflation, have had a stabilizing effect on prices. While it is the continuing concern of the Government to curb inflationary trends, it is equally important that development efforts should be sustained and adequate resources provided for investment in the vital areas of the economy. In view of this it has been decided to take credit for a borrowing of about Rs. 100 crore from the Reserve Bank against the likely addition to blocked deposits which takes place in 1975-76.

Taking credit for this amount, the budgetary support of Rs. 3,612 crore for the 1975-76 Plan will entail a resource gap of Rs. 464 crore. The honourable members will be keen to know how I propose to deal with this deficit.

Direct Taxes

Sir, let me present first my proposals in the field of direct taxes. The honourable members will recall that the rates of income-tax on personal incomes were reduced last year on the basis of a recommendation of the Direct Taxes Enquiry Committee. It was expected that this would lead to better tax compliance. I think the policy adopted last year should be given a fair trial. I, accordingly, propose not to make any change in the rates of income-tax in the case of non-corporate taxpayers.

At present, the basic rate of income-tax in the case of closely-held industrial companies stands at 55 per cent on the first Rs. 2 lakh of taxable income, and 60 per cent on the balance. On the analogy of the rate structure applicable to the widely-held companies, I propose to modify this provision so as to apply the higher rate of 60 per cent on the entire income of such closely-held companies in cases where the taxable income exceeds Rs. 2 lakh, subject, however, to the usual marginal relief. This measure will yield Rs. 4 crore in a full year and Rs. 3 crore in 1975-76. There will be no change in the rates of income-tax in the case of other categories of companies.

The levy of a tax under the Interest-tax Act, 1974 on interest received by scheduled banks has had the effect of increasing, on an average, the cost of borrowings from scheduled banks by about one per cent. The levy of this tax has, therefore, made the acceptance of deposits by non-banking non-financial companies from the public all the more attractive, specially in the context of the selective credit control measures adopted by the Reserve Bank. Some corrective by way of dis-incentive to borrowings from the public by these companies seems to be indicated so that credit planning according to the priorities laid down by the Government is not defeated. I propose, therefore, that in computing the taxable income of non-banking non-financial companies, only 85 per cent of the interest paid by them on public deposits will be allowed as expenditure for tax purposes. This measure will yield Rs. 10 crore in a full year and Rs. 7.50 crore in 1975-76.

The tax holiday concession is at present available in respect of industrial undertakings that go into production before 1 April 1976 and ships which are brought into use before that date. I propose to extend the concession in these cases for a further period of five years. This concession is at present available to approved hotels irrespective of the date by which they may start functioning. I find no justification for giving preferential treatment to approved hotels over industrial undertakings and ships. I, therefore, propose to restrict the concession in the case of approved hotels to cases where these hotels start functioning before 1 April 1981.

At present, dividends declared by companies out of their tax holiday profits are exempt in the hands of shareholders. Experience has shown that this provision is difficult to administer, since any change in the quantum of income of the company distributing dividends requires modification of the assessments of all its shareholders, who may be residing in different parts of the country. I, therefore, propose to withdraw the exemption in respect of dividends paid by companies out of their tax holiday profits attributable to the extended period. Shareholders will, however, not stand to lose, since I propose to increase the quantum of tax holiday profits in the case of companies from 6 per cent to 7.5 per cent per annum of the capital employed in new industrial undertakings, ships or hotels.

In order to channelise corporate savings into high priority industries, I propose to exempt from income-tax, inter-corporate dividends derived by domestic companies from new companies engaged in the manufacture of fertilizers, pesticides paper and cement.

As the honourable members are aware, initial depreciation allowance at the rate of 20 per cent of the cost of machinery and plant is allowed in respect of the priority industries listed in the Ninth Schedule to the Income-tax Act. Having regard to the importance of pesticides to our economy for increasing agricultural production, I propose to extend the benefit of initial depreciation allowance to the pesticides industry also.

As another measure for promoting investment in desired areas, I propose to exempt from wealth-tax for a period of five-years investment in equity shares of new companies engaged in priority industries listed in the Ninth Schedule to the Income-tax Act.

Under a provision made in the Finance Act, 1974, development rebate is admissible in respect of ships which were ordered before 1 December 1973 if such ships are acquired before 1 June 1975. In view of the time lag involved in acquiring ships, I propose to extend this concession to ships which will be acquired before 1 January 1977, provided orders for their acquisition were placed before 1 December 1973.

Under the existing law, a deduction equal to 20 per cent of the profits and gains derived from the business of publication of books is allowed in computing taxable income. This concession is available for a period of five years ending with the assessment year 1975-76. I propose to extend this concession for another five years.

Our development efforts can be sustained only through promotion of savings. I have, therefore, decided to liberalize the concession currently available under the Income-tax Act in respect of long-term savings through provident funds, life insurance, etc., so as to allow a deduction in respect of 100 per cent of the first Rs. 4,000 of the qualifying savings plus 50 per cent of the next Rs. 6,000 of such savings plus 40 per cent of the balance. This measure will result in a revenue loss of Rs. 8 crore in a full year and Rs. 6 crore in 1975-76.

Frequent withdrawals are made from the Government Provident Funds. I have, therefore, decided to introduce an incentive bonus scheme to benefit those Government employees who do not withdraw any amount from their provident fund accounts during the year. The bonus will be allowed on the subscriptions made during that year and will be calculated at the rate of 3 per cent for employees drawing pay up to Rs. 500 per month and 1 per cent for employees drawing pay above Rs. 500 per month.

The honourable members will notice that a package of measures has been proposed for improving the investment climate, namely, extension of tax holiday, exemption of inter-corporate dividends derived from new companies engaged in high priority industries, exemption from wealth-tax of equity shares in new companies engaged in certain priority industries, and incentives to greater savings. Despite the severe constraint of resources, I have thought it advisable to propose these fiscal incentives as, in my view, investment in priority sectors has to be encouraged now if we are not to compound our difficulties in the future. These fiscal measures will reinforce the other measures that the Government have taken for encouraging greater production in certain vital sectors.

In order to give some relief to middle class families who have to bear the burden of providing higher education to their children, I propose to allow a deduction in respect of expenses incurred by individuals in this regard. In respect of children attending degree or post-graduate courses in medicine, engineering or other technical subjects, the amount of deduction will be Rs. 1,000 per child and in respect of children attending degree or post-graduate courses in other subjects or diploma courses in medicine, engineering or other technical subjects, the amount of deduction will be Rs. 500 per child. The new concession will be available in the case of individuals whose gross total income does not exceed Rs. 12,000 per annum and restricted to two children in any case. This measure will result in a reduction of revenue of Rs. 7 crore in a full year and a little over Rs. 4 crore in 1975-76.

At present, income from live-stock breeding and poultry and dairy farming is exempt from income-tax. This exemption is prone to abuse by showing income which would otherwise be chargeable to tax as exempt income. I, accordingly, propose to restrict the exemption to Rs. 10,000 in a year. This will mean an additional revenue of Rs. 2 crore in a full year and Rs. 1.20 crore in the financial year 1975-76.

I propose to exempt from income-tax retrenchment compensation paid to workmen under the Industrial Disputes Act or other similar laws up to a maximum of Rs. 20,000.

There are at present certain income-tax exemption limits applying to salaried assessees relating to house rent allowance and leave travel concessions. These are being liberalized. Indian technicians employed abroad are also proposed to be given some tax relief.

In order to simplify and rationalize the procedure for assessment of foreign shipping enterprises, the accounts of which are not easily accessible, I propose to provide that the income of such enterprises shall be taken at 7.50 per cent of the aggregate of their gross earnings from traffic originating in India and other earnings received in India. This change is also in line with the practice in some other countries.

At present, contributions made to an approved gratuity fund are allowed as deduction in computing the taxable income. A doubt has been expressed that, under the relevant provisions as presently worded, provisions made in the books of account by tax-payers would also qualify for deduction. This is clearly not the intention. Since the employer continues to have control over these funds. I propose to provide specifically that no deduction for tax purposes will be allowed in respect of such provisions made to provide for future gratuities.

With a view to curtailing ostentatious expenditure in business and professions, I propose to deny depreciation in respect of imported cars which are acquired after 28 February 1975. Simultaneously, I propose to allow full depreciation in respect of indigenous cars, irrespective of their cost.

At present, trees standing on agricultural land do not qualify for exemption from wealth-tax. In order to encourage planting and conservation of trees, I propose to exempt the value of trees standing on agricultural land from wealth-tax except in respect of orchards and plantations.

Under Corporation Tax, the full year effect of the proposals is Rs. 14 crore and the yield for 1975-76 will be Rs. 10.50 crore. As a result of the concessions given, there will be a net reduction of Rs. 13 crore under Income-tax in full year and Rs. 9 crore in 1975-76. The impact of this reduction in 1975-76 on the Central revenues will be Rs. 2.26 crore.

Indirect Taxes

I now come to my proposals relating to Indirect Taxes.

While I have had to impose levies covering a wide range of commodities, I have done my best to reduce to the minimum the burden that would fall on the more vulnerable sections of the community. It has also been my endeavour to select items which largely figure in the pattern of consumption of the more affluent sections of society. I have also attempted to select those commodities which are significant in our export efforts so that consumption is thereby reduced in the home market releasing an export surplus which would earn us valuable foreign exchange.

Excise Duties

The recent spurt in the price of sugar in the international market provides us an excellent opportunity to increase our exports of this commodity, even at some sacrifice. With a view to reducing consumption of sugar for less essential uses and releasing more quantities for export, I propose that the Basic excise duty on free sale sugar may be stepped up from 30 per cent *ad valorem* to 37.50 per cent *ad valorem*. I do not propose to make any change in the present effective rate of duty on levy sugar, which now accounts for 65 per cent of the total internal releases so that the average citizen is assured of his quota of sugar at a reasonable price. The proposed increase in duty on free sale sugar will yield an additional revenue of Rs. 30.25 crore.

Khandsari sugar is at present chargeable to duty of 17.5 per cent *ad valorem*. However, there is a scheme of compounded levy under which *Khandsari* sugar units opting for the scheme pay a fixed sum by way of duty for every week of working, depending on the number and size of the centrifuges used by them. As the compounded levy results in a disproportionately low duty incidence on these *Khandsari* units in comparison with the incidence on regular vacuum pan sugar mills, I propose to withdraw the Compounded Levy Scheme. All the *Khandsari* units will, hereafter, work under the normal Central Excise procedure and pay duty at 17.5 per cent *ad valorem*. From this proposal I expect to raise an additional revenue of Rs. 19.60 crore.

The duty on tea produced in the various zones has remained unchanged for the last five years. Tea prices both in the Indian and London auctions have substantially risen during this period. I, therefore, propose to increase the existing basic duty on loose tea produced in Zones I, II, IV and V by 10 to 15 paise per kg. Tea of Zone III at present bears the highest rate of duty and there is need for giving some relief because of the low yield and the high cost of cultivation. As more than 90 per cent of the Tea produced in this Zone is exported and since the price increases in respect of these teas have been the least I propose to reduce the present basic duty for this Zone by 10 paise per kg. Apart from bringing in revenue, the proposed increase in duty on Teas of Zones I, II, IV and V will help in making more tea available for export.

With a view to ensure that the increase in excise duty on tea does not hit exports, I also propose to raise the ceiling limit on the quantum of rebate admissible for exported teas under the present scheme from the existing level of 75 paise per kilogram to 85 paise per kilogram. The net effect of the proposed changes will be an additional revenue of Rs. 3.40 crore.

Cement is another potential foreign exchange earner, and for similar reasons, I propose to step up the basic duty on cement from 30 per cent *ad valorem* to 35 per cent *ad valorem*. This proposal will yield an additional revenue of Rs. 15.95 crore.

The import of crude petroleum and petroleum products continues to demand a large share of the total available foreign exchange resources. I feel that so long as energy shortages persist, there is a case for making petroleum products more expensive so as to promote greater economy and efficiency in their use. Against this background, the duty on motor spirit is proposed to be raised by 10 paise per litre not a large sum. I also propose to increase the duty on furnace oil to induce replacement of oil-fired equipment by coal-fired equipment. Such a duty will be an added reason to replace obsolescent equipment with modern efficient units, even in installations which continue to use oil. However, taking into consideration its use by various industries, the increase proposed is modest—a little less than 3 paise per litre. Low Sulphur Heavy Stock used for electricity generation will, however, continue to be exempt as at present. These levies on petroleum products will together yield an additional revenue of Rs. 26 crore.

There has been a fall in the proportion of aluminium of electrical conductor grade produced in recent years compared to the commercial grade. Since it is of paramount importance that there should be no shortage of aluminium of electrical conductor grade required by various power systems, I propose to increase by Rs. 2,000 per ton the excise duty on commercial grade aluminium thereby providing encouragement for greater production of electrical conductor grade aluminium. The proposed increase in duty on aluminium will yield an additional revenue of Rs. 15 crore.

I shall now turn to a product on which all Finance Ministers have had to rely heavily, namely, tobacco and its products. The Tobacco Excise Tariff Committee has recommended a uniform tariff rate for all forms of non-flue-cured unmanufactured tobacco, other than that used for the manufacture of cigarettes, supplemented by low rate of excise duty on certain specified tobacco products, namely, *biris* and chewing tobacco sold under a brand name, and snuff. Following the Committee's recommendation, I propose to levy a uniform total excise duty of Rs. 3 per kilogram on non-flue-cured unmanufactured tobacco other than that used for the manufacture of cigarettes. This will mean a reduction of Rs. 1.60 per kg., in the total duty for *biri* tobacco, and of Rs. 0.25 per kg. for *hookah*, chewing and snuff tobacco. However, in the case of stalks I propose to fix the duty at Rs. 2 per kg., against the present rate of Rs. 0.65 per kg. There is already a duty of Rs. 3.60 per thousand on *biris* manufactured with the aid of machines. I now propose to levy a duty of Re. 1 per thousand on hand-made *biris* also, of which 80 paise will be in the form of Basic duty and 20 paise in the form of additional excise duty *in lieu* of sales-tax. For the sake of administrative convenience, this levy will be restricted to *biris* sold under brand names. The duty on machine made *biris* will be correspondingly stepped up from Rs. 3.60 to Rs. 4.60 per thousand. It will be noticed that those smokers who are not unduly discriminating and are content with unbranded handmade *biris* which bear no excise duty should benefit from the reduction in duty on *biri* tobacco. I also propose to levy a duty of 10 per cent *ad valorem* on chewing tobacco sold under brand names and on snuff. An exemption to the extent of 5 per cent will, however, be provided in respect of chewing tobacco whose value does not exceed Rs. 10 per kg. If the smokers of branded *biris* are called upon to pay more, equity requires that those smoking pipes and cigarettes should not be denied the privilege of helping the developmental effort. Accordingly, I propose to raise the effective duty on cigarettes also. The effective basic duty on cigarettes is now 85 per cent *ad valorem*. If the value of the cigarettes does not exceed Rs. 10 per thousand, and increases by 3 per cent *ad valorem* for every additional rupee or part thereof in excess of Rs. 10 per thousand, this duty will be increased by 5 per cent *ad valorem* at all price levels except that the ceiling level of Basic duty will continue to remain at 2.50 per cent *ad valorem*. Similarly, I also propose to raise the Basic effective duty on smoking mixtures by 5 per cent *ad valorem*. On account of the rationalisation of duty on unmanufactured tobacco there will be a reduction of revenue to the extent of Rs. 8.25 crore. But, the net additional revenue from tobacco and tobacco products will be Rs. 26.88 crore.

Both for raising revenues and as a measure of rationalisation, I propose to readjust the rates of duty on rayon and synthetic yarns (including blended yarns), and on rayon or artificial silk fabrics. I propose to shift partially the burden of excise duty on art-silk fabrics from the fabric stage to the yarn stage, since collection of revenue at the yarn stage is administratively easier and provides fewer loopholes. The additional excise duty levied on art-silk fabrics *in lieu* of sales-tax, and the handloom cess, will continue to be levied at the fabric stage; but there will be no basic excise duty on art-silk fabrics except in the case of those fabrics whose value exceeds Rs. 15 per sq. metre. This will result in a loss of revenue of Rs. 22 crore; to neutralize this loss, and to earn additional revenue, I propose to increase the duty on rayon and synthetic yarns suitably. I also propose to levy a new duty of Rs. 20 per kg., on textured yarns in addition to the duty leviable on base yarn used in their manufacture and to withdraw the existing concessions on knitted fabrics. No increase is proposed on tyre cord yarn and on glass yarn which go into industrial production, and on wastes.

I propose to raise the existing duties on superfine and fine cotton yarns which are used by the composite mills, by powerlooms, and in the hosiery and sewing thread sectors of the cotton textile industry. As a sequel to increase in the rates of duty on cotton yarn I also propose to raise suitably the rates of compounded levy paid by composite mills on cotton yarn and mixed yarn used by them. In order that the increases in yarn duty may not hit the handlooms, the duty on yarn cleared from the mills in the form of straight reel hanks used mostly by the handloom sector is being kept unchanged.

In 1973, the Government appointed a High Powered Study Team to examine in depth the problems of the Handloom Industry. This body has observed in its report that powerlooms are in a position to undercut handlooms in their legitimate market, and has recommended that the compounded levy on powerlooms may be fixed at Rs. 300 per powerloom per annum irrespective of the number of looms in a unit. The matter has been carefully examined by the Government and I now propose to increase the compounded levy on powerlooms Rs. 200 per loom per annum on all those units with less than 50 powerlooms each.

There are reports that some mills take undue advantage of existing concessional rates of duty prescribed for clearance of fents and rags. With a view to eliminate this abuse, a two-tier duty structure is proposed to be introduced for cotton fents and rags, the lower level applying to fents and rags cleared up to a prescribed limit, and the higher level, to clearances above that limit. The various proposals on textiles will yield an additional revenue of Rs. 49.10 crore.

Although air-conditioners already carry a duty of 75 per cent *ad valorem*, I propose to raise this level to 100 per cent *ad valorem*. I similarly propose to raise the duty on parts of refrigerating and air conditioning plants and machinery from 100 per cent *ad valorem* to 125 per cent *ad valorem*. Duty on refrigerators, and refrigerating machinery and appliances, as well as air coolers is, however, being kept unchanged. Parts of refrigerating machinery for cold storage plants, hospitals and factories also will continue to pay the present concessional duty. I further propose to raise the basic duty on Cosmetics and Toilet preparations from the present rate of 30 per cent *ad valorem* to 40 per cent *ad valorem*. Since this item also carries an Auxiliary duty of 50 per cent of the effective basic duty there will be a total increase of 15 per cent *ad valorem* in the duty. Shampoos will also henceforth pay a basic duty of 40 per cent.

Those blessed by fortune to have enough cash and other valuables with them to necessitate the purchase of safes and strong boxes cannot legitimately complain against my next proposal which is to raise the duty on safes, strong boxes and similar articles from 10 per cent *ad valorem* to 20 per cent *ad valorem*. The combined revenue effect of my proposals for increase in duty on air conditioners and parts, cosmetic and toilet requisites and safes, strong boxes and the like will be Rs. 7.65 crore.

As a revenue measure, I propose to increase by 5 per cent the effective duties on synthetic organic dye-stuffs and synthetic organic derivatives, chinaware and porcelainware and glass and glassware, extent laboratory glassware. I also propose to make some changes in the existing basis for grant of duty concession to small scale manufacturers of chinaware and porcelainware, but these changes will be made effective only from 1 April 1975. My proposals regarding synthetic organic dye-stuffs, glass and glassware and chinaware and porcelainware will yield an additional revenue of Rs. 10.20 crore.

I propose to increase the duty on packing and wrapping paper, pulp boards and duplex and triplex boards from 80 paise per kilogram to Rs. 1.20 per kilogram. This will yield an additional revenue of Rs. 9.80 crore.

I propose to increase the present effective duty on electric wires and cables, excluding those used for telecommunication and high voltage transmission lines, by varying rates ranging between 2.50 and 5 per cent *ad valorem*. I also propose to raise the duty on electric fans marginally, but there will be no increases in the duty on industrial fans. The proposed increase in the duty on electric wires and cables and fans will yield an additional revenue of Rs. 4.30 crore.

Rationalisation of the tariff entries and exemption notifications relating to gramophones, record players, tape-recorders, permanent magnets, vehicular tyres, components of motor vehicles, wool tops, concessions for the use of rice bran oil and minor oils in the manufacture of soap, and of cotton-seed oil in the manufacture of vegetable products has been proposed. I also propose to rationalize the tariff for exposed cinematograph films, and to increase the differential between coloured films on the one hand and black and white films on the other. All these measures will yield an additional revenue of Rs. 6.84 crore.

To remove doubts about the meaning of the expression "skelp" I propose to add an explanation at the end of Tariff Item 26AA and to validate past levies, assessments and collections of duty in accordance with this explanation.

As there is a substantial difference between the imported cost of graphite electrodes and anodes and the indigenous cost of production, I propose to levy an excise duty of 15 per cent *ad valorem* on graphite electrodes and anodes. This will yield a revenue of Rs. 1.50 crore.

I now come to the new concept in Central Excise taxation. Hitherto the Central Excise tariff covered only certain specified goods. With a view to widen the coverage of taxable goods and to provide a more dependable information base for future revenue raising exercises, I propose to introduce a new item in the Central Excise Tariff Schedule which, with a few exceptions, will cover all goods produced for sale or other commercial purpose not elsewhere specified in the Schedule. Goods covered under this new item will be chargeable to a nominal duty at the rate of 1 per cent *ad valorem*. While the tariff item will cover the production of all factories as defined in the Factories Act, 1948. I propose for the sake of administrative convenience to exempt the production of those factories which employ not more than 49 workers in the case of power-operated factories, and not more than 99 workers in the case of non-power operated factories. To further simplify the levy, I also propose to exempt from duty intermediate products and component parts falling within this item produced in a factory for the manufacture of finished goods. No countervailing duty will be levied on imported goods corresponding to this new item. This levy is admittedly an experimental measure. I expect that this measure will yield a revenue of Rs. 24.0 crore per annum.

The auxiliary duty of excise levied under the Finance Act of 1974 valid up to 31 March 1975 is being continued up to 30 June 1976. Mainly on account of the increase in the basic duty proposed on some items there will be additional accrual of auxiliary duty also estimated at Rs. 5.34 crore. This amount, however, has been included in the Revenue Estimates under the respective items already mentioned.

The total effect of all the above proposals relating to Central Excise will be an additional revenue of Rs. 250.47 crore. Of this the Union Government's share will be Rs. 194.81 crore and the States' share Rs. 55.66 crore.

Import Duties

I do not propose any revision of the Customs Tariff rates. But considering the trend of international prices of non-ferrous metals, I propose to increase the countervailing duty on copper by Rs. 3,500 per ton and on zinc by Rs. 2,125 per ton. These changes will yield an additional revenue of Rs. 24.50 crore.

The increase in Central Excise duty on certain items which I have proposed earlier will lead to a consequential increase of Rs. 9.55 crore in the collection of countervailing duty on imports.

The auxiliary duties of Customs levied under the Finance Act of 1974 is being continued up to 30 June 1976 and the effective rates of this levy remain unchanged.

The various proposals which I have made will yield an increase of Rs. 34.05 crore in Customs revenue.

The yield for 1975-76 for the Centre, taking Union Excise Duties and Customs Duties together will be Rs. 228.86 crore.

Central Sales Tax

Before I conclude I should mention a proposal which I am making to raise resources for the benefit of the States and Union Territories. The rate of Central Sales-tax on inter-State sales of goods is being raised from 3 per cent to 4 per cent with a corresponding change in the ceiling prescribed in respect of local Sales-tax on goods declared to be of special importance in inter-State trade or commerce. As a result of this proposal being made effective from 1 July 1975, the additional collections for those Union Territories whose revenues form part of the Consolidated Fund of India will amount to Rs. 1.75 crore in the year 1975-76. The States will benefit to the extent of Rs. 38.25 crore in 1975-76 through this measure.

To sum up, so far as the Union Budget is concerned, the various proposals imply, for 1975-76, additional revenue aggregating Rs. 239 crore. The budgetary gap of Rs. 464 crore, as indicated earlier, will accordingly be scaled down to Rs. 225 crore.

The budgetary deficit has thus been kept at a modest level. With the improving prospects for the availability of food, power and fuel, this order of deficit is not likely to accentuate inflationary pressures in the economy.

My major concern in the formulation of this Budget has been to stimulate production by stepping up the pace of investment in areas crucial to the healthy growth of the economy. The effectiveness of the measures proposed in achieving the goals that we have set for ourselves will, however, depend in large measure on the willingness of the different sections of the community to contribute their utmost to the common endeavour.

Let us all then, in Government, the Legislature and outside, rededicate ourselves to this national cause at this juncture and conduct ourselves with that discipline and determination which the occasion demands.