

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:121
ANSWERED ON:03.03.2000
QUESTION LONG TERM FISCAL POLICY
ADHIR RANJAN CHOWDHURY;NARESH KUMAR PUGLIA

Will the Minister of FINANCE be pleased to state:

- (a) whether the FICCI has urged the Government to frame a long term fiscal policy for atleast five years;
- (b) if so, the reaction of the Government thereto;
- (c) whether the Government are aware that long term fiscal policies are prevalent in many developed and developing countries;
- (d) if so, whether any assessment in this regard has been made; and
- (e) if so, the details thereof?

Answer

FINANCE MINISTER (SHRI YASHWANT SINHA)

- (a), (b) ,(c),(d),& (e): A Statement is laid on the Table of the House.

Statement referred to in part(a) to (e) of the Lok Sabha Starred Question No.121 regarding Long Term Fiscal Policy by Shri Adhir Chowdhury and Shri Naresh Puglia for answer on March 3, 2000.

- (a) Yes, Sir.

(b) In formulating its fiscal policy the Government keeps in view the suggestions made by various professional/trade/business organisations. The Government recognise the need for imparting predictability in tax policy and policies are formulated keeping in view the economic situation and need for appropriate balance between revenue and expenditure consistent with policy objectives. On the taxation front the basic approach has been to move towards a tax structure which is simple, follows sound economic principles, relies on moderate tax rates and places emphasis on wider base and better enforcement. In Excise the task of convergence to a single rate of 16 per cent Central Value Added tax at the centre has been accomplished. This will encourage States to implement their agreed programmes for converting their sales taxes into VAT by 1.4.2001. Customs duty rates are being gradually phased down to bring them broadly in line with Asian levels in a few years. On the Direct taxes side, the emphasis has been to retain moderate tax rates for corporate and personal taxes. For medium term management of the fiscal deficit a committee has been set up to examine and make suitable recommendations for a strong institutional mechanism embodied in a Fiscal Responsibility Act. For expenditure management and restructuring an Expenditure Commission has been set up.

(c),(d) & (e): Fiscal policies vary considerably across developed and developing countries in terms of objectives, target variables, institutional coverage and method of implementation. Fiscal policy pursued by a country is largely a function of its assessment of its economy, fiscal situation, institutional structure and policy objectives.