

Development Assistance is also provided to the exporters of engineering goods and services.

[Translation]

### Pending Proposals

1280. SHRI JAI PRAKASH AGARWAL : Will the Minister of FINANCE be pleased to state :

(a) whether some financial matters of Government of National Capital Territory of Delhi are lying pending with the Union Government for some time;

(b) if so, the details thereof; and

(c) the action taken or proposed to be taken by the Union Government on the memorandums/suggestions/proposals received from the Government of National Capital Territory of Delhi?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) Yes, Sir.

(b) The financial matters taken up by the Government of NCT of Delhi with the Ministry of Finance, Government of India :

- (i) pattern of financing of Annual Plans of Government of NCT of Delhi;
- (ii) delegation of powers for creation of Group A posts under Plan and Groups A,B,C and D posts under non-Plan and also for revival of posts lapsed;
- (iii) Share in Central Taxes;
- (iv) discontinuation of diversion of Central Plan assistance and restoration of the amount already diverted;
- (v) clearance of the past liability of Rs. 132 crore of DTC or release of grant to Delhi Government of the same amount to clear such liability;
- (vi) reimbursement of a sum of Rs. 188.70 crore on account of abolition of Terminal Tax by Government of India;
- (vii) transfer of DESU without any financial liability to Delhi Government.

(c) The matters are under consideration with the Government of India.

[English]

### Excise duty on Small Paper

1281. SHRI BANWARI LAL PUROHIT : Will the Minister of FINANCE be pleased to state :

(a) whether the PHD Chamber of Commerce and Industry has urged the Government to save small paper manufacturers by restoring the excise duty benefit available till recently;

(b) if so, whether the small paper manufacturers in the country are on the verge of collapse due to excise duty imposition; and

(c) if so, the reaction of the Government on such representation by the PHD Chamber and Industry?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) The PHD Chamber of Commerce and industry had requested the Government to reduce excise duty on paper, paperboard, etc. made from at least 75% unconventional raw materials, from 10% to the pre-Budget level of 5% ad-valorem on the ground that the increased duty affected the competitiveness of small paper mills.

(b) and (c). The Government, in the consideration stage of the Budget acceded partially to the demands of small paper mills and prescribed 5% ad-valorem excise duty on such paper for first clearances of 10,000 MT in a financial year. In the current financial year, the limit is prescribed at 5,000 MT to be calculated from 11th September, 1996. In view of this there may not be any hardship to small paper mills.

### Changes in Modvat Credit Scheme

1282. SHRI T. SUBBARAMI REDDY : Will the Minister of FINANCE be pleased to state :

(a) whether the Central Excise Department brought a new scheme into force regarding changes in the Modvat credit;

(b) if so, the main changes incorporated in the new Modvat scheme;

(c) the extent in which the scheme has been successful;

(d) whether the Government have made changes in the procedure relating to use of inputs on which credit has been taken; and

(e) if so, the details thereof?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) to (e). Following important changes have been made in Modvat Credit Scheme in this year's budget :

- (i) As per the provisions of the Modvat scheme, a manufacturer manufacturing a fully exempted final product is not eligible to avail the credit of duty paid on inputs used therein. Prior to 1.9.96, in cases where a manufacturer manufactured both dutiable and fully exempted final product from common inputs, had to reverse the credit of duty paid on the inputs contained in the exempted final product. This involved determination of the amount of credit to be reversed which was cumbersome. As a procedural simplification a new rule 57CC has been introduced in the Modvat Rules whereby a manufacturer using

common inputs in the manufacture of both dutiable and exempted final products can avail the credit of duty paid on such inputs subject to the condition that at the time of the clearance of the exempted final product, he has to reverse an amount equal to 8% of the price of the exempted final product towards the credit taken on the inputs contained therein. Further a manufacturer has the option to maintain separate inventory and accounts of the inputs used for the manufacture of exempted final product and not avail credit thereon in which case he need not reverse the credit at 8% as mentioned above. The Rule 57CC is not applicable to a few specified products like textiles, articles of plastics etc.

- (ii) As per the provisions of Rule 57F(3) a manufacturer availing credits on the inputs can send the inputs as such or after partial processing to a job worker outside for further processing of the inputs or partially processed inputs and bring the same back within certain specified time period. This facility was misused and in many instances the goods were not brought back leading to revenue leakages. In order to prevent such misuse, a new rule 57F (3A) has been introduced as per which a manufacturer who has availed credit on the inputs, while sending the goods for further processing has to reverse an amount equal to 10% of the value of the inputs or partially processed inputs. On return of the processed goods from the job worker in full, the manufacturer is entitled to take the credit again for an equivalent amount.
- (iii) The Modvat Credit Scheme has also been extended to specified processed fabrics of cotton and manmade fibres and yarns w.e.f. 4.9.96.
- (iv) Prior to amendment in Modvat Credit Scheme (i.e. prior to 1.9.96) Modvat Credit on inputs and capital goods could be taken on the basis of invoices issued by any dealer registered with the Central Excise Department. This facility was reportedly being misused. To prevent such misuse, rules have been amended to restrict the issue of modvatable invoices by dealers upto two stages only.
- (v) The provisions relating to credit of duty on Capital goods have been amended. These changes have been made with the intention of doing away with the interpretational problems regarding the scope of capital goods which are eligible for taking credit under the scheme. Now, capital goods on

which credit is available have been specified by reference to their heading or sub-heading numbers under which they fall or by their description. Credit is also made available on such capital goods used in the factory for any purpose.

2. While the changes made in the capital goods Modvat Scheme came into force w.e.f. 23.7.96, the other changes have been brought into force w.e.f. 1.9.96. As per information available, the response of the trade so far has been positive.

### Production of Cars

1283. SHRI HARIN PATHAK : Will the Minister of INDUSTRY be pleased to state :

(a) whether there has been adequate increase in car manufacturing capacity in the country during recent years;

(b) if so, the manufacturing capacity of cars in the country and cars manufactured during each of the last three years;

(c) whether the rates of cars are increasing day by day;

(d) if so, the reason thereof; and

(e) the foreign exchange earned during the above period on account of export of car?

THE MINISTER OF INDUSTRY (SHRI MURASOLI MARAN) : (a) Yes, Sir.

(b) The manufacturing capacity of cars in the country has been 2,83,540 in 1993-94, 3,37,740 in 94-95 and 5,34,500 in 1995-96. The production of cars in 1993-94, 1994-95, and 1995-96 has been 2,09,695, 2,64,368 and 3,48,242 respectively.

(c) and (d). There has been increase in the prices of cars due to increase in the cost of inputs.

(e) The foreign exchange earned during the years 93-94, 94-95, 95-96 on account of export of cars has been approx. Rs. 204 crores, Rs. 274 crores, Rs. 373 crores respectively.

### External and Domestic Debt

1284. SHRI BHAGWAN SHANKAR RAWAT :  
SHRI K. PARASURAMAN :  
SHRI O.P. JINDAL :

Will the Minister of FINANCE be pleased to state :

(a) the quarterly increase in the external and domestic debt of the country and the interest thereon during the first half of current financial year alongwith the corresponding figures of last year;

(b) the impact of increased debt on balance of payment of the country; and