

Title: Need to review the excise duty on drugs.

SHRIMATI PRENEET KAUR (PATIALA): Sir, while the Finance Bill, 2005 has made a very laudable effort towards rationalisation of taxes and duties for which the Finance Minister deserves fulsome applause, an aspect of some change in the excise duty structure on drugs, and the adverse impact of this on Small-scale Industry (SSI) drug units, especially those located in Punjab and Haryana appears to have escaped his notice.

Prior to 2005, excise duty on drugs was levied on the first billing price. However, through a notification of 7/1/2005, Excise Duty is being charged on the Maximum Retail Price (MRP). This substantially increases the tax burden on SSI units, and creates an acute disparity between units located in tax exempt States like Himachal Pradesh, Jammu & Kashmir and Uttarakhand, and units located elsewhere in the country. This disparity is further accentuated as units in these excise exempted States are exempt from Income Tax as well. The tax burden on the SSI units located in Punjab and Haryana has increased by over 30 per cent, making them completely uncompetitive, and forcing them to either close down or relocate in the tax exempt States. This results in the consequential loss of jobs, and loss of revenue to the non-tax exempt States has occasioned grave concern in Punjab, especially in the Patiala Parliamentary constituency which I represent. There are a total of about 20 units located here in one Assembly constituency, and about 300 in the whole of Punjab. A large-scale migration of these SSI units from Punjab to Himachal Pradesh is on, which this change in duty structure is forcing, and it will lead to a severe disaffection within Punjab. Already there are many reports in the Press which could burgeon into a political controversy.

I would, therefore, like to draw the attention of the Finance Minister to this disparity, and request him through you, and the forum of this House to review the duty structure, and to create a more level playing field.