

14.33 hrs.

The Lok Sabha re-assembled after Lunch at thirty-^{}three minutes*

past Fourteen of the Clock.

(Mr. Deputy Speaker *in the Chair*)

FINANCE BILL, 2005 - contd.

MR. DEPUTY-SPEAKER: Now, we will take up Item No. 15, Shri Sudhangshu Seal.

SHRI SUDHANGSHU SEAL (CALCUTTA-NORTH WEST): Hon. Deputy Speaker, Sir, first of all, I would like to accept the Finance Bill placed by him fully. But, I would also like to point out certain things for his consideration. Sir, you know now that it is a very big challenge for us to fight against the unemployment problem. We will have to provide jobs to unemployed youths. While we are thinking of providing employment to youths, the Government have correctly taken a number of decisions which will definitely provide jobs to them. But in the Budget, there are certain sectors where the decision taken by the Government is going to hamper the existing jobs. There would be thousands of job losers.

In the Common Minimum Programme, we have decided to give importance to certain sectors, especially the agriculture sector by which we are very much hopeful that the time is very near when we would be in a position to provide jobs _____

* At 1400 hours quorum bell was rung. No quorum was made. At 1404 hours, quorum bell was rung again and no quorum was made. At 1408 hours, once again quorum bell was rung and no quorum was made. Thereafter, the Secretary-General informed the Members present as follows:

"There is no quorum. The House cannot meet till there is a quorum. The hon. Deputy-Speaker has directed that the House will meet again at 2.30 p.m."

to several unemployed people. In the timber trade, wood, timber logs and sawn timbers are prime and important input materials for all kinds of industries like saw mills, timber processing industries, construction industry, furniture industry,

handicrafts, industrial packaging and industries engaged in the production of other

daily use household products, etc. Thus, wood forms the plank for existence and living, and is a social necessity for all sections of our society including the weaker section. This trade is one of the largest employers of urban youth and rural people in different categories all over the country. The total direct and indirect employment in domestic wood and timber based industry is around 12.5 million approximately. In West Bengal alone, there are approximately 4,500 saw mills and wood based industries as per the West Bengal Forest Department, and the total number all over the country is around 35,000.

The wood-based products like wood tar, wood tar oils, wood creosote, wood naphtha, etc., have been announced earlier by the hon. Minister of Finance in the VAT policy as eligible as industrial inputs and packaging materials for being taxed at the rate of four per cent. Surprisingly, timber and sawn timber have been excluded as industrial input in the policy announced and VAT at the rate of 12.5 per cent has been imposed on them whereas for paper and newsprint made out of wood and bamboo, the raw material has been taxed at four per cent. I therefore request you to please consider including wood timber and sawn timber in Schedule C, Part-III, as industrial inputs and packaging materials and charge VAT at four per cent.

Now, I come to the gems and jewellery sector. Only yesterday, our hon. Chief Minister of West Bengal Shri Buddhadeb Bhattacharya has written to our hon. Minister of Finance expressing his desire that the 10.2 per cent service tax imposed by the Central Government in the current Budget should be withdrawn. This industry employs millions of workers who should be nurtured in all possible manner by all the authorities and divisions concerned. They should not be harassed so much that they go out of their present activity. If this were not done, millions of new unemployment would be generated, which is most undesirable under any circumstances.

The workforce in the IT industry is literate and hence could be engaged in any other activity but like the textile industry, the gems and jewellery workers too, though highly skilled, are usually illiterate. If an artisan loses his job,

he would be a burden to the nation. This imposition of service tax on gems and jewellery would result in lots of jobs being lost, exports would take a reverse turn, and create a mass scale unemployment.

My appeal to the hon. Minister of Finance is that unless he personally does not intervene and put the gems and jewellery industry at par with the IT and textile industry - the three thrust areas declared by the Government of India - the resulting chaotic situation would be uncontrollable.

Now, I will talk about the agricultural products like flowers. As you know, there is a big potential of our Indian flowers in the global market. But we do not have the infrastructure. So, to supply the cut flowers to global market, we need to have the cold chain. In most of the States, they are not having these cold chains. We are having the same problem in West Bengal. We have already approached the Ministry of Commerce and Industry in this regard. APEDA is taking interest. But what I suggest, as a matter of policy, if we give importance to this particular trade, then we will be in a position to create employment to a lot of youths. They can be engaged in floriculture business not only for cut flowers but also for dry flowers and other flowers. Flower is a very vast item. If we can explore this, we can have a very good share of global market.

It is the same case with potatoes. As you know, we have started supplying potatoes from West Bengal for the last one year. Our experience has been that Thailand, Hong Kong, Singapore, Malaysia, Philippines, the entire Arab countries, even Japan are not producing even a single piece of potato and they are importing from countries like USA, Australia, Holland and China. The reality is that while we are exporting these potatoes, we are not in a position to compete with USA, Australia, Holland, etc. They are the giant countries. They are providing subsidies to their suppliers. As a result, it is becoming a problem for us to compete with them. Moreover, in this case also, we need to have the infrastructure. Infrastructure means, since this is a perishable time, we will have to send it through refrigerated containers. But the reality is that we do not have containers conforming to the international standard. We have started exporting potatoes to Singapore, Malaysia, Philippines etc. by obtaining containers from Germany. One German firm has given these containers. We have to supply the products as per the commitment. So, we are paying heavy fares for these containers. What I propose to the hon. Minister of Finance is this. If our Government can arrange at least 200 refrigerated containers conforming to international standard, I can tell you confidently-- the quality which we are supplying from India is well-accepted in the global market, at least, in this sector - then, we will be in a position to grab the market in bulk within a very short period.

We have started sending mangoes very recently. In the case of mangoes also, we need to have the infrastructure. In the sense, the packaging, which is prevailing at this moment in our country, is not as per the international standard. So, for all vegetables, all fruits, the packaging industry should be improved. It should be modernised. It should be conforming to the global requirement, international market requirement and it can be a separate industry which will give employment to so many new youths.

Now, in the case of potatoes, transport assistance has been provided by APEDA. It is really very confusing. Yesterday, we had a meeting with the hon. Minister of Commerce and Industry, Shri Kamal Nath in this regard. It was explained to him that APEDA is saying that they are prepared to give transport assistance at the rate of Rs. 3 for Asian countries, Rs. 6 for London and Rs. 8 for America. But if we go by the reality, then we will find that it is coming only to 50 paise or 80 paise.

I do not find any reason why this type of scheme has been prepared. On one side they are saying that they will be giving so much money etc. and on the other side they are saying about 10 per cent of FOB value. Do you know the price of potato? It cannot cross 80 paise per kilogram. However, we are very happy that our hon. Minister of Agriculture, Shri Sharad Pawar has decided only two-three days back that the Department of Agriculture will provide an additional subsidy of Rs. 2 through APEDA to the exporters for potato. What I understand from the discussions I had with different Departments is that, this also needs concurrence of the Finance Department. My submission to the hon. Minister of Finance is that when this type of proposals are placed before you, you must consider them sympathetically in the interest of lakhs and lakhs of growers.

I will now conclude by mentioning one more point. Hon. Member Shri Rupchand Pal said about this yesterday also. I am talking about hand-tools industry. The hand-tools are used by carpenters and so on. The hand-tools are used by mostly artisans of different categories. In the hand-tools also we find that the tax is around 12.5 per cent. It should be reduced to four per cent to enable the lakhs and lakhs of artisans to have good tools at reasonable prices.

In case of wooden items also, I would like to conclude by saying one word, that, if we do not take the decision, then it will simply encourage our neighbouring countries like China, Indonesia, Italy etc. to flood our country with their

finished products of furniture items and that will result finally in unemployment to so many of our workers.

Sir, with these words, I again accept the Finance Bill in full and request our hon. Minister of Finance to consider these points.

PROF. M. RAMADASS (PONDICHERRY): Mr. Deputy-Speaker, Sir, on behalf of Pattali Makkal Katchi and its founder President Doctor *ayya*, I welcome and support the Finance Bill, 2005. This Bill, spread over 124 Clauses, contains various provisions relating to the tax system of the country. The first 64 Clauses deal with direct taxes including income-tax and corporate tax and the remaining 60 Clauses deal with the indirect taxes like customs duty, excise duty, banking cash transaction tax and service tax.

At the outset, I should say that all these provisions contained in these Clauses contribute to the strengthening of the contemporary Indian tax system. When we want to evaluate this Finance Bill, we can use several yardsticks. But, to my mind, the best yardstick is to refer the provisions of this Bill to three important Committee Reports of the Government of India. The first two Committee reports are coming from the Kelkar Committee – one on direct taxes and the other one on indirect taxes. The third is the Task Force Report on implementing the FRBM Act.

All these three Committee reports raise four important issues in the assessment of the Finance Bill. The first important question is whether the Finance Bill is able to mobilise adequate resources that are necessary to the development of this country is growth with justice, whether the resources would be sufficient to generate employment opportunities, whether the revenue generated would help us to banish poverty from this country and also to bridge inter-sectoral, inter-regional and inter-personal disparities.

The second question is whether the Finance Bill is consistent with the celebrated canons of taxation and the principles of prudent finance. The third issue is whether the Finance Bill is able to remove the age-old ills that are plaguing the Indian tax system for several years. The fourth question is whether this Finance Bill carries forward the process of tax reforms that has been initiated in 1991 by the hon. Dr. Manmohan Singh, the Prime Minister of this country. Or more specifically, we will have to look into the Finance Bill from the point of view of several questions like simplification of tax procedures, widening of the tax base, tax compliance, reducing the cost of compliance, transparency etc. When we pose all these questions to the Finance Bill, I tend to have a feeling that answer to all these questions is 'yes' and therefore, I have whole-hearted appreciation of the Finance Minister for his professional ability and acumen to present a near optimal or near perfect Finance Bill to this august House.

Now, let me draw some examples from the Finance Bill to illustrate my contention. When we take the resource part of the Finance Bill, I am able to see that the proposals contained in the Finance Bill help us to fetch an amount of Rs. 3,70,250 crore as against Rs. 3,06,021 crore in the RE of 2004-2005, marking an increase of Rs. 64,000 crore. This gives a revenue growth of 21 per cent over the previous year. Income tax revenue is expected to grow at 30.36 per cent, corporation tax at 33.2 per cent, excise duties at 20.66 per cent. The country's tax GDP ratio is now hitting at the highest level of 10.53 per cent. For the first time, it crosses the pre-reform level position of 10.12 per cent. As we know, this ratio of tax to GDP has been declining from 1991 onwards in the post-reform period from 10.12 per cent in 1990-91 to 9.22 per cent in 2003-2004. Therefore, for the first time in the history of India, the GDP ratio would be at the highest level and we should appreciate the Finance Minister for enabling the economy to raise so much of resources. Further this resource increase comes in the wake of reduced tax rates or moderate tax rates, both on the direct tax as well as on the indirect tax front. Therefore, it shows the resilience of the tax system to bring more of revenue.

Another admirable feature of the Bill is that the tax proposals in the Finance Bill do not impinge upon the common man. It does not impose greater burden on the poor and the revenue effect of the indirect taxes is almost revenue neutral and it does not distort the tax structure in any way.

The third important complimentary factor in this Finance Bill is that it helps us to increase the equity or progressiveness of the Indian tax system in the sense that it increases the share of direct taxes in the total tax revenue of the country. In 1991, the percentage of direct taxes to indirect taxes was only 24.4 per cent, but today it is 92.12 per cent. While excise and customs duties would bring Rs. 1,92,215 crore, income tax and corporation tax alone would bring Rs. 1,77,077 crore. This means that at this rate, maybe next year, the revenue collections from income tax and corporate tax would even exceed the revenue from the customs duty and excise duties. This would be really a milestone in the tax history of India and according to economists, this trend or this characteristic is the characteristic of a developing economy maturing into a developed economy. That means the Finance Bill helps the country to move on to the path of a developed nation, a dream that is set by the hon. President of India for India to reach by 2020.

The credit for this achievement must go to the Government as well as to the hon. Prime Minister for bringing this. Therefore, by reducing the dominance of indirect taxes in the tax system, India today is moving away from the age-old regressive tax system and that is the credit of the Finance Bill.

The Finance Bill also provides a welcome package in the income tax structure. It increases the savings of the people and it contributes to more of investment and every tax-payer is now given the choice of saving in whatever instruments he likes to have it. Therefore, this brings more investment to the people.

There are more cheers for the corporate sector also. The lowest tax of 30 per cent has been fixed with a surcharge of 10 per cent. A rate of depreciation of 15 per cent for general machinery and plant is also there. All these translate to a relief of 3 per cent to the corporate sector.

As regards the indirect taxes, reduction in the customs duties to 15 per cent takes India closer to South-Asian levels. It is expected that the customs duty in India would be nearer to the Asian levels by the year 2006 or 2007.

India has already fulfilled its WTO commitment by removing the basic customs duties on IT agreement bound items. Further, the reduction of customs duty on capital goods -- for specific industries -- would promote more investment, especially, in the agriculture and food industries; research and development; chemical and petroleum products; etc.

There has been a widening of tax base as far as the service tax is concerned. Although the service tax rate is 10 per cent, a number of services have been brought under the tax net. Therefore, it is widening the tax base of the service tax, but the hon. Finance Minister has been careful enough to give relief to the small service providers who have an annual turnover of upto Rs. 4 lakh.

I would like to say many more good things about the Finance Bill, but due to paucity of time I would restrict with these salient features of the Finance Bill. But I would like to draw the attention of the hon. Finance Minister to some of the important issues, which are agitating the minds of the people.

Firstly, I would like to talk about the fringe benefit tax. The fringe benefit tax is likely to affect the ability of the corporate sector to attract talents into the industry. Today, the scientists and management experts are willing to go abroad because they are able to get a large number of perquisites outside India. Today, many of the corporates are willing to give these perquisites in India itself. Therefore, the hon. Finance Minister should ascertain whether these perquisites are contributing to the business development. If he feels that it is so, then he can give some concession in the fringe benefit tax.

Secondly, I would like to mention about the abolition of standard deduction. The standard deduction is not a personal allowance given to the people. The standard deduction is a sort of expenditure, which must be deducted from the gross taxable income. The net income is calculated by deducting the expenditure from the gross taxable income. The standard deductions -- this has been the practice for a long time -- used to take care of the expenditure part. Therefore, the standard deduction must be maintained, and standard deductions should be deducted from the gross taxable income to arrive at the net income. Therefore, the hon. Finance Minister should give some thought to this issue also.

Thirdly, I would like to mention about the introduction of VAT system in the country. The hon. Finance Minister was very happy to announce that from 01 April 2005 all the States in the country would go for the system of VAT. But, unfortunately, the political opportunism among the States has not enabled the country to have uniform VAT system, as some States are not complying with it. It is the responsibility of the hon. Finance Minister to bring these States round the corner, so that there is system of integration of commodities and services throughout the country as a whole.

Lastly, I would like to mention about the Union Territory of Pondicherry, which is now suffering on account of VAT as well as on account of the presence of the Central Sales Tax (CST). I would like to request the hon. Finance Minister to pay attention to this issue also. The Union Territory of Pondicherry is not a producing centre, but only a consuming centre. It is receiving the raw materials from the neighbouring States as it purchases commodities, and dispatches them to other places. When the rate of tax is uniform throughout the country as a result of implementation of VAT and if the Union Territory of Pondicherry purchases the raw materials from Tamil Nadu, then it has to pay a CST of 4 per cent. Assuming that the rate of sales tax is remaining the same, a 4 per cent imposition of CST increases the cost of purchasing for the producers in Pondicherry. Further, when the finished products are sold outside, they have to pay another 4 per cent tax. So, an additional burden of 8 per cent is borne by the producers in the Union Territory of Pondicherry, which is affecting the trade, commerce, and industry in the Union Territory of Pondicherry.

15.00 hrs.

The territory which has made rapid strides in the economy is now suffering on account of VAT as well as simultaneous co-existence of the Central Sales Tax. On behalf of the people, I would urge upon the Central Government to reconsider whether CST could be abolished this year or at the earliest possible.

With these few words, I appreciate the features of the Finance Bill. On behalf of our Party, I support this Finance Bill.

SHRI MADHU GOUD YASKHI (NIZAMABAD): Respected, hon. Deputy-Speaker, Sir, I would like to start my speech in support of the Finance Bill. One survey suggested that in the world as many as 60 per cent of the top politicians are lawyers. Being myself a lawyer, I would like to say that we are fortunate today to have a committed and a truly professional lawyer at the helms of affairs in the Finance Ministry. A true lawyer represents the best interests of his client and not his or her interests. Unlike NDA's tall claims of "India Shining", our hon. Finance Minister, under the leadership of the visionary economist and the guidance of a leader who is committed to national service, has rightly envisioned '*Bharat Nirman*' by fixing a target of about four years to provide irrigation, roads, water supply, housing, rural electrification, rural telecommunication connectivity and also to address the gaps in the basic needs at the rural level.

Though the emphasis is rightly upon rural development, and over the past many years, though we have been spending thousands of crores of rupees, we have not seen real development. What we need to see is proper implementation and monitoring. In respect of rural development, the late Prime Minister Shri Rajiv Gandhi stated that only fifteen paise out of every single rupee reach the rural beneficiaries. According to a latest study, out of every rupee that we spend, at least, twenty paise is spent on some other thing and it does not reach the rural poor. To fulfil the vision of our Prime Minister, more emphasis has been laid on agricultural growth. On rural development, we are spending over Rs. 17,000 crore. What we have to ensure is the real implementation, which would help in '*Bharat Nirman*'. Out of 700 districts that we have, over 100 districts are selected as most backward. The intention is to raise rural income and to alleviate poverty within the shortest possible time by way of rural development.. What can be, indeed, more meaningful than selecting the most backward districts? Many of the districts in Telangana region, from where I come, are quite backward. The violence that we have seen in the recent past is due to the underdevelopment in socio-economic sectors, unemployment and lack of basic amenities the so-called Naxalite problem is related to that. Therefore, more focus has to be laid and funds have to be allotted to these backward districts.

The hon. Finance Minister rightly laid emphasis on the Backward Areas Development Fund by agreeing to give Rs.5, 000 crore every year for the next five years. I would request the hon. Finance Minister to allocate more funds to these Districts and especially to Nizamabad District in Andhra Pradesh, which is my District.

Some of the funds allocated to various sectors need to be re-looked. One such sector is micro-irrigation. An estimated amount of Rs.10, 500 crore is required to meet the target irrigation of 3 million hectares. However, the allocation made for this year is Rs.400 core only which is not good enough. I would request the hon. Finance Minister to have a re-look at it and increase the allocation for it. There is National Horticulture Mission for which the projected requirement is Rs.2015 crore. However, only Rs.630 crore have been allocated. This too has to be re-looked and allocation should be increased. I would request the hon. Finance Minister to draw an action plan to revamp the defunct cooperative credit infrastructure to make it more accountable.

Some of the other sectors also need to be re-looked and more funds should be made available. One of them is the Agricultural Research Centres. The meagre amount of Rs.50 crore allocated is not good enough for this. I would request the hon. Finance Minister to look at it again and see if more funds can be allocated.

One of the programmes outlined in the Budget this year is the Sarva Shiksha Abhiyan for which over Rs.7,000 crore have been allotted, and the National Highway Development Programme. During the previous NDA regime, there has been misuse of funds in Sarva Shiksha Abhiyan, especially in Andhra Pradesh. Of the total allocation of Rs.235 crore made by the Central Government, the previous TDP Government diverted over Rs.75 crore to other sectors.

There has to be greater monitoring and implementation of various programmes. While the Centre is allocating thousands and thousands of rupees to the State Governments, some of the State Governments are diverting those funds and spending them for more populist programmes.

I would draw the attention of the hon. Finance Minister to some of the new initiatives that have been taken particularly the Rajiv Gandhi National Fellowship Programme for SC and ST population for helping in pursuing M.Phil and Ph.D. studies in select universities is to be extended to the Other Backward Classes also.

I would also draw the attention of the Government to the initiative of National Minorities Development Finance Corporation. Over the period of last six years or so, during the NDA regime, minorities have felt insecure and ignored. Proper attention has not been paid to the development of minority population during that regime. I would like to give the example of my own District where one-fourth of the population is minorities. Many of them are poor and employed and uneducated too. I would request that the allocation of funds may be increased to my district. Attention is drawn to the Kasturba Balika Vidyalayas. Some of the Districts have been selected for this scheme. I would request the Finance Minister to see whether my District can be included in the list. I say this because over two and a half lakh women in 12-16 age group are working as beedi workers there. When parents are dependent on the money earned by their children, the children are not able to attend to schools. As long as parents are not provided a viable income, they use their children to support their families. So, more funds may be allotted to my District under this programme.

These are some of the suggestions to which I would like to draw the attention of the Finance Minister. I would compliment and congratulate the Finance Ministry for initiating innovative measures.

Over the past decade, our attempt of leapfrogging from predominantly agricultural economy to knowledge-based service economy, India's growth of six per cent GDP for the past decade on the Software and Information Technology-enabled Services (SITS) sector, some of the supporters quoted that in support of the leapfrogging approach to this sector, one should not ignore the vital linkage with the other economic sectors. Information Technology sector is contributing only 10 per cent of the GDP growth. The other economic sectors are essential. Linkage has to be there which can exert a ripple of multiple effect on creating a large number of jobs for the entire spectrum of work force. We have at present 470 million workforce. Information Technology though provided or providing for the past decade over 8,00,000 jobs yet it is mostly restricted to the educated elite and urban youth, leaving a large fraction of India's population. To pursue political and economic stable development strategy in a largely rural, unskilled agricultural economy the linking between knowledge-based sector and other sector is really essential.

I would like to draw the attention to the report of Goldman Sacks which suggests that India will be the third largest economy by 2032 behind the US and China. More focus has to be laid on the India's per capita GDP to see that India becomes the third largest economy in the world.

Before I conclude, I would like to draw the attention to the example of Chinese method where by investing huge amount of money in the infrastructure and manufacturing sectors, they have created over 40 million jobs. We need to take that experience and see that by giving more emphasis on manufacturing sector by exporting products from footwear to underwear and from hardware and software. We should formulate policies that touch the masses for the sustained development.

I would also like to draw the attention to the implementation of the programmes and schemes. Obviously, we need the funding for the implementation. I am sure substantial funding that we are raising through taxes and from other avenues may not be enough. We need to focus on the Foreign Direct Investment (FDI). Today, we are standing at four billion FDI. We need to attract more FDIs to have sustained growth.

I would like to draw the attention and seek the support of the Comrades of the Left parties to the policies of the Government on FDI. I would also like to quote here - because they may be closely looking to the Chinese economy - where great chinese leader Mr.Deng Xioping has rightly summarised "that it does not matter if the cat is black or white. The important thing is that it catches the mice". The idea is simple. If the growth and the well being of the people can come for attracting FDI and exporting, so be it. So, our hon. Finance Minister has rightly increased FDIs in some sectors.

Our supporting parties should come forward and support it so that we can collectively see the growth of India into the next century.

In the end, I say that though the initiative of the Government for creating a new Ministry of Indian Overseas is welcome, but yet there is more to be looked into it. More concerted and substantial efforts have to be drawn to attract more non-resident Indians to contribute into the socio-economic sectors of the country. There is a need for tapping the Indian Diaspora which is a rich source of talent, idea and money. The Prime Minister had rightly mentioned at the time of *Pravasi Bhartiya Divas* in Mumbai by inviting the big Indian Diaspora to be a part of the India's development.

I would like to make one more observation. We need to change our mindset. We need to create a culture of innovation which is a real, fundamental requirement for a global economic leadership. We should also create innovative incubator which is real and essential to nurture the talent among the scientists and engineers. Though the progress made so far in this regard is laudable yet still more to be done. "The glass must be viewed as half

empty". The Central and State Governments should vigorously work to improve the basic infrastructure power, water, communications and transportation. The funds allocated to these sectors have to be properly utilised. I do not have any doubt in expressing my support to the hon. Finance Minister. I also say that under his dynamic leadership and with his experience and exposure and being at the driving seat of the Finance Ministry, I am sure, India can achieve the economic agenda that recognises democracy, sustainability and wide-spread socio-economic development. With these words I support the the Demands for Grants for General Budget.

*SHRI SIPPAPARAI RAVICHANDRAN (SIVAKASI): Sir, let me thank the Chair at the outset for giving me an opportunity to speak on this occasion when this august House has taken up the Finance Bill for the year 2005-06. This year's Budget is a heartening one to the UPA partners, acceptable to the leftist parties and an embarrassment to the opposition. It has received a wide appreciation from the public and people from several walks of life and all the economic sectors. We have passed the Demands for Grants for various Ministries and Departments after deliberating on them. Now before us is the Finance Bill. Economic experts and senior members have expressed

their considered opinion and views on this Bill. They have all spoken ahead of me and hence I would like to make just two points before I could draw your attention to certain things pertaining to my constituency. As far as 'economic survey' is concerned, over the years it has become a kind of post mortem of economic performances of the previous years. It used to be a kind of test report which will just indicate the malady that afflict our economy. Only this year we find a report with a difference. It has been prepared under the supervision of our Finance Minister who had not merely diagnosed the disease but has also made valiant attempts to identify the root cause of the affliction or the disease. In the words of Saint Thiruvalluvar, the Tamil poet –

"Noi Nadi Noi Muthal Nadi Athan

Vaai Nadi Vaaippa Seyal"

That means:

"Identify the cause rather than the disease to stem it at its emergence."

This year's report is like an advanced report. It has been prepared under the guidance of our able Prime Minister Dr Manmohan Singh who is an acclaimed economist. On behalf of MDMK I would like to congratulate and extend our support to this year's financial report.

*Translation of the speech
originally delivered in Tamil.

Just in one year the tax revenue is sought to be increased by 21% that is 64,000 crores of rupees. The Finance Bill proposes to earn for the exchequer this much this year.

As far as income tax restructuring is concerned I would like to point out just one point. Due to IT revolution several MNCs have established themselves here and our youth who are employed by them are paid Rs 25000 to 30000 per mensem and even more as a normal thing. Till last year a person who was earning Rs 3,50,000 was paying a tax not less than Rs 50000. But this year's announcement in the Budget that seeks to restructure the income tax provides a great relief to the people especially the salaried class. From this year that very same person will be paying a mere Rs 23,000 as income tax. It is going to be a saving of Rs 27000 per year per salary-earner. It amounts to an additional income of Rs 2000 a minimum per month. This is a welcome feature of this Finance Bill and I would like to congratulate the Finance Minister for this move. Salaried class are not merely happy, relieved and content but also free from the tension that used to be there when it comes to income tax. It has become people friendly in the fashion of being customer-friendly. The aged and the women have got concessions.

Next comes agricultural sector. 57% of our people have got agriculture as their occupation. You have taken adequate measures to safeguard the interests of the farmers.

Then comes the weaving sector. 10% of our population have been weavers. Last year the handloom sector was taken off from the CENVAT. This year our Finance Minister has given several incentives to our textile sector to give a boost to this industrial sector. Next only to IT, the greatest foreign exchange earner and job provider is our textile sector. That sector gets an impetus with the creative intervention of our Finance Minister who seeks to make its growth more even paced. The duty levied on import of textile machinery has been reduced from 20% to 10%. New dyeing and bleaching units will get a subsidy of 10%. Artificial fibre will attract a mere 14% duty as reduced from the 24% that was there. Thus our Finance Minister has infused new confidence, hope and vigour to textile sector.

Sethu Samudram project is taking shape now. It was a demand pending for long. Our leaders right from Anna to Vaiko have been reiterating this demand for quite long. Now we have come to an important period when that dream is coming true for which many of our leaders have to strive a lot. Both our Surface Transport Minister and our Finance Minister have taken keen interest to complete this project. They have set apart Rs 100 crore for this project in the current Budget. Narrow political differences have crept in and that is why there is no proper cooperation from the present State Government there and that has resulted in the delay to commence the project. I request our hon. Finance Minister and the Union Government to see that this project is taken up this year itself and I also request you to allocate additional funds that may be required to take it to completion. I urge upon the Union Government to be liberal in allotting funds and fulfil the hundred-year dream of the Tamils.

In my Sivakasi Lok Sabha constituency, matches manufacturing and production of crackers is a major industry. Till last year tax exemption was available to hand made matches industry. Machine made matches got a relief from CENVAT and a reduced excise duty of 12% from 16% this year. I do not want to go in to the compulsion that was on the Finance Minister. At this juncture I would like to point out at a particular stage of production. The tips of the match sticks are dipped in chemicals after having been fixed on the stacked frames using machines. This particular segment before it is being packed into match boxes are handled in an unlawful manner thereby evading tax that is

due to the Government. Because this part of manufacturing is done in the name of cottage industries to get tax benefits and relief. This is an indirect tax evasion and I would like to bring it to the notice of the Government. This lacunae must be plugged and Government must take steps cautiously to ensure collection of excise duty in full. Such mechanised matches units must be made to bring out from their shop floors only the fully finished products. Hand made matches units and cracker units are to get enhanced tax exemption limit from Rs 3 crore to 4 crore. That industry faces global competition. Hence the enhanced limit of Rs 1 crore may kindly be raised to Rs 1.5 crore.

Finally I want to raise a matter that may not be in the ambit of this Finance Bill. It has to be considered on humanitarian grounds. Public in general especially the poor used to get financial assistance for surgical treatments from PM's Relief Fund. People undergoing treatments like heart surgery, kidney transplantation, cancer treatment were getting financial assistance from the PMO as recommended by MPs. Now for the past one year that assistance is not forthcoming. I urge upon the Union Government to ensure a viable mechanism and create a fund to benefit the needy poor extending medical assistance. The official apathy to dismiss it on the grounds that it is a donated fund and the claim that Government cannot do much must be put aside. Rs 16000 crore is set aside for subsidy in the agricultural sector in a country like ours which is based on farm economy. When 57% of the people are having agriculture as their main occupation and many of them remain poor, the Finance Ministry proposes to allocate more funds for horticulture sector hoping that it could be a better alternative. Such funds allocated for horticulture and sought to be spent by the State Governments, I apprehend, may be misspent. But our hon. Finance Minister envisages plans to construct warehouses and godowns with refrigeration facilities in every district. He gives thrust to create economic zones and I feel the money set apart may be spent usefully. I hope he will succeed. Our Finance Minister has set a target to give Rs 36000 crore as loan to farmers while doubling the credit limit in 3 years. Every year about 50 lakh new farmers can get loan now. But many banks are making it jewel loans and show it as agricultural loans. The credit facility methods must be streamlined. Then only the target could be met with successfully and meaningfully.

At a time when we have globalised our economy, you have taken steps to attract more FDI to give pep to our economy. While giving boost to industrial

growth, while adding pace to rural development you have taken care to see that the poor and the public in general are burdened. Hence I welcome this constructive Budget and extend my support to this Finance Bill.

With this I conclude my speech.
