SPEECH OF
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MINISTER OF FINANCE,
INTRODUCING THE BUDGET FOR THE YEAR 1982-83*

Highlights

— *Establishment of National Bank for Agriculture and Rural Development*

— *Announcement of the Social Security Certificate*

— *Need for Effective Implementation of the Revised 20-Point Programme Emphasised*

Sir, I rise to present the Budget for the year 1982-83.

The Economic Survey for 1981-82, placed before the House a few days ago, gives a detailed review of the current trends in the economy. I shall, therefore, touch upon only a few important aspects of the economic situation which have influenced the formulation of this year's Budget.

As the House is aware, when the present Government came into office a little over two years ago, the country was faced with a serious and deteriorating economic situation… Gross National Product had declined by as much as 4.8 per cent in 1979-80, the infrastructure was in shambles, and prices had increased at annual rate of 23.3 per cent by the end of January 1980.

It was against this background that, while presenting the regular Budget for 1980-81, my distinguished predecessor had informed the House that an important task before the Government was to arrest the

Budget, 1982-83

Total Receipts	—	**Rs. 27,134 crore**
Total Expenditure	—	**Rs. 29,219 crore**
Deficit	—	**Rs. 2,085 crore**

* *Lok Sabha Debate,* 27.2.1982, cc. 123-172.

deterioration in the economic situation and to set the economy on the path of stability and growth.

I am glad to say that we have gone a long way in achieving these objectives.…

Our Gross National Product in real terms increased by 7.5 per cent in 1980-81 and is expected to grow further by 4.5 per cent in 1981-82. The infrastructure is functioning well. Inflation is being controlled. Production of foodgrains is likely to reach a new peak this year. The industrial sector will record a growth of 8 per cent.

The fight against inflation has been a high priority of the Government. Any slackening of effort on this front would have undermined the very basis of our development. Inflation hurts all sections of the community, but it hurts the weaker and poorer sections the most. Inflation also hurts the development process as investment costs get distorted, and financing becomes an increasingly severe problem. It is, therefore, a matter of satisfaction that we have succeeded in bringing down the rate of inflation substantially.

At the end of January 1982, the annual rate of inflation on a point-to-point basis was only 4.9 per cent as against 15.9 per cent at the end of January 1981 and 23.3 per cent at the end of January 1980, when the present Government took over. The declaration in the wholesale prices has occurred in a wide range of commodities, and is being gradually reflected in the consumer price index.

However, the price situation requires constant vigilance, and there can be no room for complacency. The international price situation continues to be uncertain. At home, a drought or the failure of a major crop may well upset the demand and supply balance. We must continue our efforts to increase the supplies of agricultural and industrial commodities and also restrain the growth of aggregate demand. At the same time, we must ensure that anti-social elements do not disrupt supplies and the distribution network.

As I mentioned before, foodgrains production is likely to reach a new peak in the current year. The *Kharif* foodgrains production is estimated at around 80 million ton as against 77.4 million ton in 1980-81, and the prospects of *rabi* crop are good. Sugarcane production is likely to increase substantially and sugar production should reach a record level of over 67 lakh ton. Groundnut production may be 20 to 25 per cent higher than in the last year. Significant increases are also expected in cotton and jute.

The sustained good performance in agriculture is testimony to the hard work of our farmers, agricultural scientists, and extension workers. It also underscores the basic soundness of our agricultural strategy, which has emphasised creation of irrigation potential, greater fertiliser use, spread of high-yielding varieties of seeds and remunerative price support policies.

Industrial production, which had declined by 1.4 per cent in 1979-80 recorded an increase of 4 per cent in 1980-81. In 1981-82, the growth rate will be twice as high. A large number of industries such as petroleum and petroleum products, fertilisers, steel, cement, vanaspati, sugar, newsprint, caustic soda, wagons and commercial vehicles, are expected to achieve new peak levels of production during the year. The increase in industrial production has been sustained by the concerted action taken by the Government to improve the performance of infrastructure sectors. In the current financial year, up to January, power generation has increased by 11.3 per cent. Coal production in the last two years has increased by over 17 million ton, and the target of 121 million ton for 1981-82 is likely to be exceeded. In railway, the previous record in freight loading will be surpassed and the revenue earning traffic is expected to go up to 165 billion ton per kilometre. This has been made possible by improvement in operational efficiency as evidenced, for example, by the significant reduction in the wagon turn-round time during the year.

Monetary and credit policies during the year continued to emphasise the requirements of meeting the credit needs for higher production, particularly in the priority sectors, while restraining the growth of aggregate demand. In order to restrain the growth of liquidity in the system, the cash reserve ratio was increased in phases from 6 to 8 per cent and the statutory liquidity ratio was raised from 34 to 35 per cent. The Bank Rate was increased from 9 to 10 per cent and refinancing rates of the RBI were also raised. Even so, the growth of bank credit to the commercial sector during the year 1981-82 is likely to be of the order of 19 per cent which should be adequate to meet the legitimate credit requirements of productive sectors.

Hon'ble members will be happy to note that the operation of our public sector banks has been further oriented towards extending banking facilities to under-banked rural and semi-urban areas, and enlarging the flow of credit to priority sectors particularly to the weaker sections of society. During January-November 1981, 2,517 new branches were opened by commercial banks of which 2,269 were in rural and semi-urban areas. During 1981, 22 regional rural banks were added to 85 such banks as at the end of 1980. The priority sectors now account for about 36 per cent of the aggregate bank credit as compared to about 33 per cent in

1979. The target to be achieved by March 1985 is 40 per cent. The differential rate of interest scheme has been effectively implemented and the target of 1 per cent of aggregate credit for this scheme is being achieved by public sector banks. The National Bank for Agriculture and Rural Development is expected to start functioning within the next few months. I am also pleased to inform the House that the Export-Import Bank of India has been established with effect from 1 January 1982.

I would now like to refer to the balance of payments situation. As the House is aware, there has been a substantial deterioration in our balance of payments since 1979-80 primarily because of sharp increases in import prices, particularly of oil and oil products. Anticipating these developments, the Government made timely arrangements to negotiate a line of credit for SDR 5 billion from the International Monetary Fund under its Extended Fund Facility. This was necessary to avoid the disruption of our economy for want of essential imports and to gain time for readjustment to the new situation. This line of credit has been accepted in order to support an adjustment programme drawn from our strategy of planned development. It will help us to implement our own policies which have been sanctioned and approved by our people and Parliament.

The main elements of the Government's strategy for restoring the viability of our balance of payments in the coming years are first and foremost, an increase in the domestic production of petroleum and petroleum products, fertilizers, steel, edible oils and non-ferrous metals. These account for nearly 60 per cent of our total imports. The Government has taken necessary action to step up production and investment in these and other critical areas.

We must also intensify our efforts at expanding the export base and creating conditions conducive to larger exports. Exports have increased by 15.4 per cent during the first 8 months of the financial year, which is encouraging. However, in several areas, particularly in our traditional exports, such as textile fabrics, jute and tea, we are facing unfavourable world market conditions. While sustaining exports of these and other traditional commodities, much greater effort is now needed to expand those exports for which world markets are growing. In recent years, our receipts from invisibles, particularly from remittances by non-residents of Indian origin, have shown a healthy growth. This has been a stabilising factor in our balance of payments, and we must continue to provide adequate facilities for growth of receipts from this source.

The past two years have been years of crisis management and recovery. It is a measure of our success that the economy is now back on the rails. This provides us an opportunity to initiate further efforts for moving the economy forward and to achieve the necessary medium term adjustment. The objective of policy in 1982-83 will be to maintain the momentum of growth and to make an all out effort to achieve the social and economic objectives of the Sixth Plan. This would call for larger investments, and a relentless pursuit of goals of higher productivity, efficiency and reduction in disparities. This is the message of the revised 20-Point Programme. The Programme identifies the areas of special thrust in which there must be no compromise on performance.

The tasks that lie ahead are not easy. Hon'ble members are well aware of the evolving geo-political situation in our region and the difficult environment in which we are functioning. While we strive to resolve the situation in a spirit of goodwill, we have to take all necessary steps to safeguard the security of the nation. This burden, which is not of our seeking, will involve sacrifices on the part of our people.

In the international economic sphere, there is a rising trend towards protectionism which inhibits access to markets abroad. The environment for economic cooperation has also deteriorated, and the flow of concessional resources is likely to be less than envisaged earlier. In concert with other developing countries, we must continue to press for reforms in the international economic order and to reverse these disquieting trends. However, prudent management of the economy requires that due account is taken of the present international situation in devising our economic policies.

The investment requirements of the economy are large and brook no delay. It is essential that we now make a determined effort to mobilise more resources for investment. Maintenance of a non-inflationary environment requires the additional resource mobilisation represents real savings in the economy. However, adequate resources for further investment in new capacities will not be forthcoming unless we also take action to utilise the existing capacities fully. I am sure that this House will share my hope that all sections of the community would do their utmost to make this year of Productivity a success. On its part, the Government would endeavour to provide due encouragement to promote this objective.

Mobilisation of resources in a non-inflationary way must be a multi-pronged effort. It is necessary to make appropriate adjustments in taxation and to ensure better tax collection. The pernicious growth of black money in the economy has been a major source of concern to the Government and Parliament. Various economic offences have seriously eroded our development efforts. In the past, we took a series of measures to fight against this menace. Unfortunately, this thrust was diluted during the period when we were out of office.

I can assure the hon'ble members that our commitment to eradicate all economic offences is firm and uncompromising. I am taking steps to ensure that the provisions of law are applied vigorously and effectively to combat economic offences.

We must also continue to adjust administered prices in line with economic costs.

Uneconomic pricing policies in the public sector and in high priority industries result in erosion of resources for further investment and lead to malpractices by unscrupulous traders. Price adjustments carried out in the last two years have amply demonstrated the important role of appropriate pricing policies in ensuring viable operations, generating additional resources and reducing the scope for generation of black money.

One of the strengths of our economy is the fairly high rate of savings. Most of these savings occur in the household sector. We need to ensure that savers have an adequate incentive to hold their savings in financial instruments. This could play a significant role in providing more resources for investment. Over the past two years, several steps have been taken in this direction. This thrust should continue.

In order to mobilise private savings for public use, the Government has decided to issue two new savings instruments. The first is a Social Security Certificate which has been specially designed for the small savers. Under this scheme, an individual between the age of 18 and 45 can invest up to Rs. 5,000, which will triple in 10 years. The certificate will also provide social security to his family. In the case of the investor's demise, his nominee or legal heir will become immediately entitled to the full maturity value of the certificate. The details of the scheme will be announced separately. I trust that this National Savings instrument will prove particularly attractive to large numbers in rural areas, and persons of small means everywhere.

The second instrument is the Capital Investment Bond which is designed to attract a larger flow of private savings for public sector investment. These bonds will have a maturity of ten years and carry an interest rate of 7 per cent, free of income-tax. They will also be exempt from wealth tax, and up to Rs. 10 lakh in the case of their first holder, from gift tax. Purchasers, however, will have to duly account for these investments.

The rate of savings that we have been able to achieve is a tribute to the habits of thrift and good sense of our people. I have no doubt that they will take full advantage of the new opportunities and incentives that are being given to promote savings.

Remittances are an important source of foreign exchange for the country. They are also a manifestation of the close cultural and family ties that exist between the people of this country and the people of Indian origin abroad. In order to further encourage the flow of funds from this source, it has been decided to improve the facilities available to non-residents.

Any investments, without repatriation rights, made by non-residents of Indian origin, as long as it is not for transactions in commercial property and land, will be treated on the same footing as investments of resident Indian nationals. They will be allowed to invest, with repatriation rights, in any new or existing company up to 40 per cent of the capital issued by such company. They can now purchase shares of companies quoted on the stock exchanges subject to specified limits. The interest rates on new deposits of maturities of one year, and above held in non-resident external accounts will carry interest rate of 2 per cent above the rates permissible on local deposits of comparable maturities. Gifts made in India out of deposits in these external accounts will be free from gift tax. The non-residents can also invest in the 12 per cent 6-year national savings certificates which, for them, will be free from wealth, income and gift taxes. Facilities for investment in non-resident external accounts and in Indian companies will be extended to companies, partnership firms, trusts, societies and other corporate bodies owned, to the extent of at least 60 per cent, by non-residents of Indian origin.

I shall now turn to the Revised Estimates for 1981-82 and the Budget Estimates for 1982-83.

Revised Estimates for 1981-82

I am happy to inform the House that there has been an all round improvement in revenue receipts during 1981-82. It is gratifying that despite significant tax concessions given in 1981-82 Budget, the receipts from income-tax are likely to be Rs. 1,520 crore as against the Budget Estimates of Rs. 1,444 crore. Similarly, the receipts from corporation tax are likely to go up from Rs. 1,690 crore in Budget Estimates to Rs. 1,962 crore in the Revised Estimates. The increase is due to higher profits accruing to Oil and Natural Gas Commission and Oil India following the increase in the prices of crude effected last July. The receipts from customs duties are also expected to go up from the Budget Estimates of Rs. 3,833 crore to Rs. 4,140 crore in the Revised Estimates.

As regards Union excise duties, the House will be happy to note that they are expected to go up from Rs. 7,117 crore to Rs. 7,501 crore *i.e.,* Rs. 384 crore more. This is clearly indicative of the marked growth in industrial production in the current year. The gross tax revenues are now estimated to be Rs. 15,754 crore compared with Rs. 14,668 crore in the Budget Estimates. After deducting the States' share of various taxes, net tax revenue of the Centre is estimated to be Rs. 943 crore more than the Budget Estimate of Rs. 10,537 crore.

Non-tax revenues and capital receipts are also estimated to show an improvement of Rs. 579 crore over Budget Estimate of Rs. 12,795 crore. Market borrowings and small savings collections would be higher by Rs. 100 crore and Rs. 50 crore respectively. The receipt from Special Bearer Bonds amounted to Rs. 875 crore in the current year against the Budget Estimate of Rs. 800 crore. In addition to these receipts, there would be an increase of Rs. 200 crore in the recoveries of ways and means advances from State Governments, and of Rs. 117 crore in recoveries of technical credits under rupee trade agreements.

On the expenditure side, total budget support for the Plan is estimated to go up to Rs. 10,394 crore as against Budget Estimates of Rs. 9,771 crore. The Central assistance for State and Union Territory Plans, including the programmes of Rural Electrification Corporation, is being stepped up by Rs. 156 crore. A large part of this increase is on account of higher advance Plan assistance to those States which have suffered from drought.

In the Central Plan, outlays for railways and coal have been increased by Rs. 157 crore and Rs. 105 crore respectively. Considering the growing pace of disbursements of Agricultural Refinance and Development Corporation, Industrial Development Bank of India and other financial institutions, additional Plan support of Rs. 389 crore is being provided to them in the current year. In view of the erosion in the internal resources of the Posts and Telegraphs Department, a higher budgetary support of Rs. 173 crore is being provided. On the other hand, shortfalls are anticipated in Plan expenditure in certain other sectors. On the whole, the budgetary support for the Central Plan is estimated to go up by Rs. 467 crore in the Revised Estimates.

The Budget Estimates provided for non-Plan expenditure of Rs. 15,100 crore. This expenditure will also be higher in the current year due to several reasons. The provision for Defence expenditure is being increased from Rs. 4,200 crore to Rs. 4,600 crore. Similarly, the provision for non-Plan loans to State Governments is being increased from Rs. 1,296 crore to Rs. 1,591 crore. This is mainly due to larger share of States out of collections from national small savings and higher ways and means advances which, of course, are being recovered during the course of the year itself. The provision for food subsidy is being increased from Rs. 650 crore to Rs. 700 crore, subsidy on controlled and handloom cloth from Rs. 106 crore to Rs. 172 crore and the provision for cash compensatory support and market development for exports from Rs. 390 crore to Rs. 477 crore. Provision for technical credits under rupee trade agreements has also to be increased from Rs. 50 crore to Rs. 175 crore. A provision of Rs. 91 crore has been made in the Revised Estimates for contributing India's share to the increased capital of the International Bank for Reconstruction and Development. Taking these and other variations into account, non-Plan expenditure in the Revised Estimates is placed at Rs. 16,160 crore.

The total expenditure is estimated to be Rs. 26,554 crore in the Revised Estimates compared with Rs. 24,871 crore in the Budget Estimates. As against this, the total receipts are now estimated at Rs. 24,854 crore compared with Budget Estimate of Rs. 23,332 crore. Thus, the current year is expected to close with a deficit of Rs. 1,700 crore.

Budget Estimates for 1982-83

The Budget Estimates for 1982-83 would show that I have given the highest priority to increasing the Plan outlay. The improvement in the economic situation in the last two years gives us an opportunity to make a major thrust towards achieving the goals of the Sixth Plan. I am providing for an outlay of Rs. 11,000 crore for the Central Plan in 1982-83. In making sectoral allocations, I have tried to emphasise the programmes for the uplift of the poor as enumerated in our 20-Point Programme as well as the investment needs of the infrastructure sectors.

The next year's Central Plan represents an increase of 27.6 per cent over the Plan outlay of Rs. 8,619 crore in the 1981-82 Budget Estimates. This, hon'ble members will no doubt appreciate, is a very large increase considering, particularly, the commitments needed for safeguarding national security.

The Central Plan will be financed by a budgetary support of Rs. 7,343 crore and internal and extra-budgetary resources of Rs. 3,657 crore. The internal and extra-budgetary resources of public sector enterprises would thus account for 33.2 per cent of the Plan outlay as against 26.8 per cent in the previous year.

The total of Plan outlays for 1982-83 of the States and Union Territories, including a provisional outlay for West Bengal, is placed at Rs. 10,137 crore. This represents an increase of 14.4 per cent over the outlay of Rs. 8,860 crore in 1981-82. Central assistance for the Plan of the States and the Union Territories will be Rs. 4,002 crore compared with Rs. 3,462 crore in Budget Estimates for 1981-82. Taken together, the Plan outlays of the Centre, States and the Union Territories for 1982-83 will be Rs. 21,137 crore, an increase of 21 per cent, over Rs. 17,479 crore in 1981-82.

In line with the Sixth Plan strategy, substantial increases in outlays are envisaged in crucial sectors of the economy. In respect of crude petroleum, there has already been a substantial expansion of output in the current year. With a view to sustaining the tempo of increased production, the outlays of this sector, including refineries and petro-chemicals has been fixed at Rs. 2,045 crore for 1982-83, which represents an increase of 90 per cent over the current year. The outlay for coal is being increased to Rs. 877 crore as against Rs. 578 crore in 1981-82, an increase of 52 per cent. In the power sector, the outlays in the Central Plan is Rs. 929 crore compared with Rs. 721 crore in 1981-82. Taken together the outlay for the energy sector, is 62 per cent higher than the current year, and constitutes 34 per cent of the Central Plan outlay.

The new Central power products include installation of additional capacity of 1000 MW each at the Korba and Ramagundam superthermal power stations. The total outlay for the power sector in the State and Central Plans taken together is Rs. 3,977 crore compared with Rs. 3,326 crore in 1981-82. Additional generating capacity of 3500 MW is expected to be commissioned during 1982-83.

The revised 20-Point Programme calls for intensified effort in a number of areas, which are vital for the development of the economy and for the welfare of our people, especially the weaker sections of the society. Effective implementation of this programme will be a step forward towards the realisation of our goal of social justice. This will call for concerted effort at all levels. In 1982-83, higher outlays have been provided for several areas emphasised in the 20-Point Programme:

— a provision of Rs. 2,133 crore has been made for irrigation and Command Area Development in the Central and State Plans as against a provision of Rs. 1,830 crore in 1981-82;

— the outlays for agriculture in the Central and State Plans has been raised to Rs. 1,202 crore from Rs. 1,047 crore in 1981-82, including provisions for pulses, oilseeds and dry land farming;

— a provision of Rs. 190 crore has been made for the Integrated Rural Development Programme in the Central sector compared with Rs. 145 crore in 1981-82, an increase of 31 per cent. This would be matched by an equivalent provision by States. Each block will receive Rs. 8 lakh compared with Rs. 6 lakh in 1981-82. With this provision more than three million rural families are expected to be assisted in 1982-83;

— the provision in the Central Plan for the National Rural Employment Programme is also being increased to Rs. 190 crore. This amount too is to be matched by an equal provision by the States. This programme is expected to generate employment of about 350 million man-days in rural areas besides creating durable community assets;

— Central assistance for the Special Component Plans for Scheduled Castes has been raised to Rs. 120 crore from Rs. 110 crore in 1981-82. This will be supplemented by a Central investment of Rs. 13.5 crore in the Scheduled Castes Development Corporations, with a contribution of the same order by the States. The Tribal Sub-Plan will also have a higher outlay of Rs. 95 crore in 1982-83;

— the outlay for the Centrally sponsored Accelerated Rural Water Supply Programme is being increased to Rs. 127.50 crore to supplement the State Plan outlay of Rs. 273 crore. This will cover an estimated 45,000 problem villages;

— a provision of Rs. 74 crore is being made for house sites for rural landless persons and Rs. 29 crore are being provided for environmental improvement of slums in the State Plans;

— an outlay of Rs. 354 crore is planned for rural electrification. About 25,000 villages will be electrified and 4.25 lakh pump sets energised in 1982-83;

— a provision of Rs. 5 crore has been made to facilitate setting up of 75,000 bio-gas plants, compared with 35,000 in 1981-82. Likewise, the Social Forestry Scheme is being expanded to cover 4 lakh hectares in 1982-83. Apart from providing much needed fuel wood, these afforestation programmes would help prevent soil erosion and restore the ecological balance;

— the outlay for family planning is being increased to Rs. 245 crore compared with Rs. 155 crore in 1981-82. In view of the crucial role which village health guides can play in the family planning movement, the Centre has decided to fund the Village Health Guide Scheme fully;

— a provision of Rs. 120 crore has been made in the Central Plan for the health care. This will substantially augment universal primary health care facilities, and accelerate national programmes for control of leprosy, T.B. and blindness, with special emphasis on early detection and treatment. A provision of Rs. 82 crore has been made in the Minimum Needs Programme of the States for expanding rural health services;

— programmes for welfare of women would have an outlay of about Rs. 16 crore in the Central Plan which would augment the State Plan provisions. Special importance is being given to the programme of functional literacy for adult women for which a provision of Rs. 4.60 crore is being made as against Rs. 3 crore in 1981-82;

— the Integrated Child Development Services Programme is being expanded to 1,000 projects by the end of the current Plan as against the earlier target of 600 projects. An additional 320 projects are proposed to be taken up in 1982-83;

— for the Adult Education Programme, the Central Plan provides an outlay of Rs. 14.25 crore in 1982-83. Major part of this expenditure is for the Rural Functional Literacy Project. In 1982-83, it is proposed to establish such projects in 75 additional districts;

— the outlay for the development of village and small industries has been raised to Rs. 340 crore in the Central and State Plans as against Rs. 315 crore in 1981-82.

The Central assistance for development of hill areas has been raised to Rs. 112 crore as against Rs. 92 crore in 1981-82. The Government has also recently extended to hill areas the liberalised pattern of Central assistance comprising 90 per cent grant and 10 per cent loan.

The Central Plan outlay for the transport sector, including railways, roads, ports and civil aviation is being stepped up to Rs. 1,757 crore from Rs. 1,535 crore in 1981-82. My colleague, the Minister for Railways has already informed the House about the Railways Plan for 1982-83. In order to remove congestion at ports, an intensive modernisation programme, including augmentation of containers handling, facilities and construction of additional berths, is being implemented.

A provision of Rs. 480 crore has been made in the Plan for 1982-83 for the various programmes of the Departments of Heavy Industry and Industrial Development, including Rs. 97 crore for the Khadi and Village Industries Commission. This also includes Rs. 84 crore for the three large paper projects at Tuli in Nagaland, and at Nowgong and Cachar in Assam. Hon'ble members would be happy to know that the Nagaland Paper Project will be going into production shortly. Work in three public sector cement projects will be started in 1982-83. The total installed capacity for cement in the country is expected to go up to 38 million ton in 1982-83 as against 32 million ton in 1981-82.

The plan outlay for steel for 1982-83 is Rs. 860 crore. This includes a provision of Rs. 250 crore for the Visakhapatnam Steel Plant. The first phase of 1.2 million ton capacity is expected to be completed by the end of 1985. The work of establishing transport and raw material linkages for the Vijayanagar Steel Plant project is on hand. The Plan also includes an outlay of Rs. 140 crore for the Orissa Aluminium Project.

For the chemicals and fertilisers sector, Rs. 507 crore have been provided, including Rs. 210 crore for the Thal-Vaishet project and Rs. 120 crore for the Hazira project.

The successful launching of satellites in 1981 bears testimony to the dramatic strides made by our country in space technology. As part of the space programme, the APPLE spacecraft was launched in June 1981. This is being utilised for various experiments, such as national Television and Radio hook-up digital communication, interconnection of computers and subscriber trunk dialling. A major objective of the Government is to harness science and technology to bring, about social and economic change. An outlay of Rs. 184 crore has been provided for the Science and Technology sector in the Central Plan for 1982-83.

The Government attaches special importance to renewable energy sources. The Commission for Additional Sources of Energy has initiated several important R&D and demonstration projects in the areas of solar thermal, Photovoltaic wind, biomass and integrated energy systems. The Government has exempted the manufacture of solar energy devices from industrial licensing.

A notable achievement has been the successful expedition to Antarctica by our scientists. Following the collection of poly-metallic nodules from the sea bed for the first time by our ships last year, it is proposed to undertake a detailed survey in the Indian Ocean. An allocation of Rs. 17 crore has been included in the plan of the Science and Technology sector for the recently created Department of Ocean Development.

While I have tried to contain non-Plan expenditure for the next year, certain increases have been unavoidable. Defence expenditure is estimated at Rs. 5,100 crore as against Rs. 4,600 crore in the Revised Estimates for the current year. Hon'ble members will, I am sure, agree with me that in view of the uncertain external environment, the requirements of national defence should be fully met.

The provision for non-Plan loans to State Governments including ways and means advances is estimated at Rs. 1,732 crore as against Rs. 1,591 crore in 1981-82. Due to increase in internal and external debt, which is utilized for funding development programmes, the provision for interest will go up from Rs. 3,200 crore in the Revised Estimates to Rs. 3,800 crore in 1982-83. The provision for subsidies on account of food, fertilisers, and controlled and handloom cloth is Rs. 1,270 crore. A provision of Rs. 500 crore has been made for cash compensatory support and market development assistance for exports.

I am also providing a lump-sum of Rs. 350 crore in 1982-83 for payment of additional instalments of dearness allowance and pension relief to Central Government employees. The Government has received representations from pensioners that they should be given some relief in view of the rise in prices. In the Budget last year, my distinguished predecessor had announced some benefits to pensioners. I now propose to give further relief especially at the lower levels of pension. The minimum amount of pension plus relief will be increased to Rs. 150 per month. The minimum amount of family pension plus relief will also be increased to Rs. 140 per month. These measures will benefit about 7 lakh low paid pensioners, and 2 lakh family pensioners. I would like to add that about 85 per cent of the former category are retired Defence personnel. The House will agree with me that those who have devoted the best years of their lives to the defence of the country are deserving of whatever support we can give them.

The total non-Plan expenditure for 1982-83 is estimated at Rs. 17,874 crore as against Rs. 16,160 crore in the Revised Estimates for 1981-82.

As regards receipts in 1982-83, the gross tax revenues at the existing rates of taxation are estimated at Rs. 17,614 crore compared with Rs. 15,754 crore in the Revised Estimates. The State's share of taxes in 1982-83 is estimated at Rs. 4,716 crore compared with Rs. 4,274 crore in the current year. The Centre's net tax revenue will, therefore, be Rs. 12,898 crore as against Rs. 11,480 crore in the current year.

The receipts from market loans are estimated at Rs. 3,200 crore compared with Rs. 2,900 crore in 1981-82. Small savings are estimated to yield Rs. 1,400 crore as against Rs. 1,300 crore in the Revised Estimates. External assistance, net of loan repayments, is estimated at Rs. 1,669 crore as against Rs. 1,381 crore in 1981-82.

Taking into account these and other improvements in non-tax revenues and capital receipts, as well as the effect of changes in fare and freight rates of the Railways, and in the Posts and Telegraphs tariff to which I shall refer a little later.

The total receipts for 1982-83 are estimated at Rs. 27,134 crore. The total expenditure is placed at Rs. 29,219 crore. The overall budgetary gap at the existing rates of taxation will, thus, be Rs. 2,085 crore.

Sir, before I present my tax proposals, I would like to indicate the broad objective I have kept in view. While we take comfort in our success in reducing inflation, it is of a utmost importance that the Budget itself should not give rise to further inflationary expectations. Any large uncovered deficit beyond prudent limits is inherently inflationary. It also gives rise to adverse expectations with regard to the behaviour of prices. It is, therefore, my major concern to keep the budgetary deficit as low as feasible.

Another important objective is to avoid measures which would place undue burdens on the low income and middle income groups. These groups are the worst sufferers in times of inflation.

As I have already indicated, providing adequate incentives for increasing production and savings in the economy is a prime objective of this Budget. Larger savings and increases in productivity can significantly help moderate inflationary pressures and also generate resources for development. The buoyancy in revenue and the decline in the rate of inflation in the environment of strong agricultural and industrial growth in 1981-82 confirm this.

Sir, coming now to direct taxes, my first proposal concerns salaried taxpayers. There have been many representations that the income-tax exemption limit should be raised, taking account of increases in the cost of living. I cannot accept, as a principle, that income limits for exemption from tax should be fixed with reference to cost of living. Nevertheless, I believe some relief to salaried tax-payers within the lowest taxable slab would be appropriate. At present, salaried tax-payers are entitled to a standard deduction equal to 20 per cent of the salary, subject to a ceiling of Rs. 5,000. I propose to raise the rate of deduction from 20 per cent to 25 per cent, without disturbing the ceiling of Rs. 5,000. This will give a significant measure of relief to those with salaries up to Rs. 20,000. And the loss of revenue would be Rs. 21.58 crore in 1982-83.

Another measure of relief seems deserved, for those at the end of their working lives. I propose to exempt from income-tax, subject to certain conditions, the encashment benefit *in lieu* of unavailed earned leave given to employees when they retire.

Taxp-ayers who are not in receipt of house rent allowance are entitled to a deduction up to Rs. 300 per month in respect of the house rent paid by them. However, persons receiving house rent allowance are entitled to an exemption up to Rs. 400 per month in respect of the house rent allowance received by them. I propose to raise the monetary ceiling from Rs. 300 to Rs. 400 per month also for those who are not receiving house rent allowance.

The owner of a self-occupied house is entitled to a deduction, from the annual letting value of the house, of an amount equal to one-half of the annual letting value or Rs. 1,800 whichever is less. I propose to raise the monetary ceiling of Rs. 1,800 to Rs. 3,600.

The annual letting value of a newly constructed house let out on rent is reduced for tax purposes by an amount up to Rs. 2,400 in respect of each residential unit for a period of five years. With a view to providing a stimulus for construction of houses, particularly for persons with relatively lower incomes, I propose to raise the monetary limit of Rs. 2,400 to Rs. 3,600.

I propose to liberalise the scheme of deduction in respect of long-term savings such as life insurance, provident fund contributions, etc. A deduction of 100 per cent will be allowed in respect of the first Rs. 6,000 of the qualifying savings, *plus* 50 per cent of the next Rs. 6,000 of such savings *plus* 40 per cent of the balance. The monetary ceiling in respect of the savings qualifying for deduction is also being raised from Rs. 30,000 to Rs. 40,000. The higher monetary ceiling in respect of the qualifying savings in the case of authors, playwrights, artists, musicians, actors, sportsmen and athletes, is also being raised from Rs. 50,000 to Rs. 60,000. These incentives for larger savings will result in a revenue loss of Rs. 26.17 crore in a full year and Rs. 19.76 crore in 1982-83. It may be desirable in due course to provide a wider choice of eligible modes of savings to tax-payers. I, therefore, propose to extend the existing tax concession in relation to investment in notified Central Government securities.

I find that out of the new life insurance policies issued by the Life Insurance Corporation of India, nearly 15 per cent policies lapse before the end of the following year. Such a high volume of lapses shortly after the issue of the policies is a matter of concern. It also implies that the very purpose for which the tax concession is allowed in respect of premia on such policies, which is to promote long-term savings through life insurance, is frustrated. I propose, therefore, to provide that where a taxpayer discontinues a life insurance policy before premia for two years have been paid, no deduction will be allowed in respect of the premia if any paid under the policy and, if such deduction has been allowed, the same shall be withdrawn.

Under the existing incentives for stimulating savings and investment, income up to Rs. 3,000 from investment in specified financial assets, such as Government securities, units in the Unit Trust of India, bank deposits and shares in Indian companies, is exempt from income-tax. In addition, income up to Rs. 2,000 from units in the Unit Trust of India is exempt from tax. I propose to raise the ceiling of Rs. 3,000 to Rs. 4,000 and the separate ceiling in respect of income from units, from Rs. 2,000 to Rs. 3,000. This measure will result in a revenue loss of Rs. 12.12 crore in a full year and Rs. 9.09 crore in 1982-83.

As a parallel measure, I propose to raise the ceiling of the value of investments in specified financial assets exempt from wealth-tax from Rs. 1,50,000 to Rs. 1,65,000. In addition, the separate exemption of Rs. 25,000 provided in respect of units in the Unit Trust of India is proposed to be raised to Rs. 35,000. The revenue loss will be Rs. 1.54 crore in a full year, but there will be no loss in 1982-83.

At present, tax-payers are allowed a deduction, the computation of taxable income, of 50 per cent of amounts invested in equity shares of new industrial companies and companies engaged in providing long-term finance for construction or purchase of houses for residential purposes. The maximum investment in a year qualifying for this deduction is limited to Rs. 10,000. With a view to encouraging larger investments in such companies, I propose to raise the monetary ceiling for investment to Rs. 20,000.

While I have given some relief to those in the lowest taxable income range, I consider that there is scope for more progress in the tax rates for high incomes. I, accordingly, propose to modify the rates of personal taxation, so as to raise the rate of income-tax on the slab of Rs. 60,001 to Rs. 70,000, from 50 per cent to 52.5 per cent and on the slab of Rs. 85,001 to Rs. 1,00,000, from 55 per cent to 57.5 per cent. This would yield Rs. 3.24 crores in a full year and Rs. 2.43 crore in 1982-83.

Deduction of tax at source from dividends, interest on securities and other interest causes considerable inconvenience, and even hardship, to a large number of small investors whose taxable income is below the exemption limit. For the convenience of such persons, I propose to provide that income-tax shall not be deducted at source if the recipient furnishes a declaration to the payer of such income to the effect that his estimated total income of the relevant year will be below the exemption limit.

I also propose to provide that tax will not be deducted at source from interest paid on such securities of the Central Government or a State Government as may be notified by the Central Government in this behalf.

The tests of "residence" in India laid down for taxation purposes result in hardship to Indian citizens earning income in foreign countries who come to India for short spells. An individual is regarded as resident in India in a year if he stays here in that year for 30 days only, and also maintains a dwelling house here for 182 days or more. As this test causes hardship to persons working outside India, who come home even on relatively short visits, I propose to delete this test of residence.

Under another test, persons who have been in India for 365 days or more in the four years preceding the relevant year, become resident in that year by being in India for 60 days or more in that year. In the case of Indian citizens who are employed abroad and who come to India on leave or vacation, the period is 90 days. I propose to extend this benefit also to the self-employed and those in other occupations, irrespective of their avocation abroad or the nature of their visit to India.

Indian citizens who go abroad for purposes of employment are now chargeable to tax in India on their foreign income, if they have stayed in India for more than 60 days that year. I propose to liberalise the provision so that an Indian citizen who leaves India in any year for purposes of employment shall not be treated as resident unless he has been in India for 182 days or more in that year.

I will now come to some proposals regarding foreign exchange earnings. I propose to provide some tax relief to exporters whose export turnover for any year exceeds that of the immediately preceding year by more than 10 per cent. The tax relief, to be calculated at a specified percentage of such excess turnover, would be limited to 10 per cent of the income-tax otherwise payable on export profits. The rate at which the tax relief will be calculated and the goods qualifying for the purposes of this concession will be notified by the Central Government.

With a view to strengthening the competitiveness of our construction contractors who have undertaken projects outside India, I propose to exempt 25 per cent of the profits derived by them from such foreign contracts, subject to certain conditions.

With a view to augmenting the capital base of Indian banks engaged in banking operations in foreign countries, I propose to provide that those banks which are approved in this behalf by the Central Government would be entitled to a deduction up to 40 per cent of their income carried to a special reserve account.

Interest-tax levied under the Interest-tax Act forms an integral part of our credit policy. However, taking note of the escalation in costs of industrial projects, I propose to exempt scheduled banks from payment of interest-tax on the interest received by them on loans sanctioned in foreign currency for import of capital plant and machinery. With a view to improving the competitiveness of export of capital plant and machinery, I propose to exempt interest paid on credit sanctioned by scheduled banks for export of capital plant and machinery on deferred payment terms outside India.

Investment allowance at the higher rate of 35 per cent is granted in respect of machinery and plant installed for the manufacture of articles made with know-how developed in Government laboratories, public sector companies, recognised institutions and universities. This concession is available in relation to machinery and plant installed up to 31 March 1982. I propose to extend this tax concession for a further period of five years.

Dividends received by a domestic company from an Indian company engaged exclusively or almost exclusively in the manufacture of specified articles are completely exempt from income-tax. Having regard to the importance of basic drugs, synthetic rubber and rubber chemicals (including carbon black), I propose to extend the benefit of this tax concession to dividends received from companies engaged in the manufacture of these articles as well.

At present, scheduled commercial banks are allowed a deduction in respect of provisions made by them for bad and doubtful debts relating to advances made by their rural branches. The deduction is limited to

1.5 per cent of the aggregate average advances made by the rural branches. In order to promote rural banking and to assist non-scheduled commercial banks operating in the rural sector, I propose to extend the benefit of this tax concession to them also.

Energy saving and protection of the environment are high priority areas. I, therefore, propose to allow depreciation at 30 per cent on devices and systems for energy saving or for minimising environmental pollution or for conservation of natural resources. The list of the qualifying items will be notified in due course.

At present, tax-payers are entitled to 100 per cent deduction in respect of donations made to approved institutions engaged in carrying out programmes of rural development. I propose to extend this concession to donations made to approved institutions for use in programmes of conservation of natural resources.

Hon'ble members will be happy to hear that I propose to place donations made to the National Children's Fund at par with donations made to other funds of national importance such as the National Defence Fund, the Jawaharlal Nehru Memorial Fund and the Prime Minister's National Relief Fund.

I consider that some rationalisation of the taxation in respect of capital gains is desirable. In the case of non-corporate taxpayers, long-term capital gains up to Rs. 5,000 are deducted in full. Of the balance amount, a deduction of 25 per cent is allowed where the gains relate to lands and buildings and of 40 per cent where the gains relate to other assets. I propose to modify these provisions so as to relate the deduction to the period for which the capital asset has been held by the taxpayer, and allow a larger deduction in cases where the asset has been held for a longer period. The aggregate deduction in respect of capital gains relating to gold, bullion or jewellery will, however, be restricted to Rs. 50,000 only.

There is an acute shortage of housing, and house building activity has to be given impetus. With a view to providing an incentive to taxpayers who do not own a residential house, I propose to exempt from tax long-term capital gains arising from the transfer of other assets where the net consideration is invested by the taxpayer in a residential house.

At present, capital gains arising from the transfer of a house used for personal residence by the taxpayer are exempt from income-tax to the extent that such gains are utilised by the taxpayer for constructing or purchasing a house for purposes of personal residence within specified period. These conditions often lead to hardship. I, therefore, propose to remove these restrictive conditions.

Charitable and religious trusts are required to conform to the investment pattern laid down in the Income-tax Act. Any trust which has not changed over to this pattern of investment will forfeit exemption from tax from the assessment year 1982-83. These trusts have been given adequate notice to change their investment pattern and, ordinarily, I would not have proposed any modification in these provisions. However, I find that the whole gamut of the provisions relating to charitable and religious trusts is under consideration by the Economic Administration Reforms Commission. As the Government would like to carefully consider the recommendations of the Commission in this matter, I propose to amend the relevant provisions so that such trusts do not forfeit exemption from income-tax for the assessment year 1982-83.

My distinguished predecessor had made an announcement in the Lok Sabha on the 31 March 1981 that the provisions of the Income-tax Act relating to the investment pattern of trust funds would be modified, so as to permit charitable and religious trusts or institutions to invest the trust funds in immovable properties as well. I am proposing an amendment of the relevant provisions of the Income-tax Act to fulfill the assurance given by him.

While the levy of wealth-tax on agricultural property was discontinued by the Finance (No. 2) Act, 1980, owners of tea, coffee, rubber and cardamom plantations continue to be chargeable to wealth-tax. Our experience is that the valuation of agricultural land forming part of such plantations leads to administrative difficulties complaints of harassment and litigation. The yield from this levy is also insignificant. I, therefore, propose to discontinue the levy of wealth-tax on such plantations as well.

The value of tools and instruments necessary to enable the taxpayer to carry on his profession or vocation is exempt from wealth-tax up to an aggregate amount of Rs. 20,000, which appears inadequate. I propose to raise it to Rs. 50,000. I also propose to raise, from the present Rs. 30,000 to Rs. 75,000, the ceiling of the value of conveyances, including motor cars, for the purpose of exemption from wealth-tax.

Stamp duty paid on an instrument relating to the gift of any property is allowed as a deduction from the gift-tax payable by the taxpayer in cases where the amount of gift-tax exceeds Rs. 1,000. I propose to allow the benefit of this deduction even where the gift-tax payable does not exceed Rs. 1,000.

The Hotel-receipts Tax Act, 1980 provides for the levy of a tax on the gross receipts of luxury hotels. As the levy of this tax may adversely affect the flow of foreign tourists into India... I propose to discontinue this levy in relation to the chargeable receipts of such hotels accruing or arising or received by them after 27 February 1982. The revenue loss would be about Rs. 6 crore.

The other proposals in the field of direct taxes are of relatively minor importance. I would, therefore, not like to take up the time of the House by referring to them here.

Hon'ble members would have noted that in the direct tax proposal I have set out, I have endeavoured to preserve stability in the tax system, while providing substantial incentives for savings. I have also rationalised the capital gains tax and provided some concessions where necessary.

Mr. Speaker, Sir, I now turn to the area of indirect taxes. Taking customs duties first, my principal proposal is with regard to auxiliary duties of customs.

This levy, which has been imposed on an annual basis since the 1973 Budget is proposed to be continued during 1982-83. The balance of payments position has been under pressure in recent times and will continue to be so for some time to come. However, a liberalised regime of imports has been a feature of our economic policies. This will be continued in order that investment and production, particularly in essential and priority sectors, are not hampered or slowed down. There is no strong reason, however, why those who have access to imports in a difficult situation should grudge to pay a little more. I accordingly propose to increase the rates of auxiliary duties by 5 percentage points on all categories of imports, with some exceptions.

I am excluding from the proposed increase in auxiliary duty essential items like crude petroleum, bulk petroleum products such as kerosene and high speed diesel oil, and some other items on which import duty rates have been adjusted in the recent past on price parity considerations. Fuller details of these proposals are available in the Budget papers.

My proposals relating to auxiliary duties of customs are expected to yield an additional revenue of Rs. 290 crore.

In the light of the present market conditions, and the need for encouraging few selected industries, it is necessary to effect certain changes in the basic customs duties. I propose to raise the basic customs duty on cork and cork articles from 40 per cent to 60 per cent *ad valorem*; on certain categories of dyestuffs from 60 per cent to 100 per cent *ad valorem*; and on certain other categories, of dyestuffs, pigments and colours and paints and varnishes, from 100 per cent to 150 per cent *ad valorem*. I also propose to increase the basic customs duty on certain items of iron and steel such as melting scrap of stainless steel and heat resisting steel, and certain categories of alloy steel excluding stainless steel and heat resisting steel, from the existing levies to 60 per cent *ad valorem*. The effective rate of basic customs duty on copper pipes and tubes, blanks and hollow bars of prescribed specifications will be increased from 40 per cent to 60 per cent *ad valorem*. The basic customs duty on polyester chips is being increased from 100 per cent to 140 per cent. These proposals are likely to result in additional revenue of Rs. 42 crore.

It may be recalled that in the last Budget, an effective customs duty of 15 per cent *ad valorem* was imposed on imported newsprint on which there continues to be large foreign exchange outgo. The Government has received representations against this levy. I propose to convert the *ad valorem* levy to a specific total levy of Rs. 825 per metric ton as to obviate automatic increase in its incidence on account of rising international prices. There will be no revenue loss.

The indigenous zinc and lead industries are facing difficulties owing to escalation of input costs, particularly of imported concentrates. In order to enable them to increase their capacity utilisation, I propose to reduce the total customs duty incidence on imported zinc concentrates from 50 per cent to 15 per cent *ad valorem*, and that on lead concentrates from 50 per cent to 5 per cent *ad valorem*. Simultaneously, I propose to increase the customs duty on imported zinc metal from 50 per cent *ad valorem* to 60 per cent *ad valorem*. In order partly to offset the revenue loss, I propose to increase excise duties on indigenously produced zinc metal, zinc scrap and zinc products by Rs. 715 per metric ton and that on lead metal and scrap by Rs. 374 per metric ton. The excise duty on zinc pipes and tubes will go up from 38.5 per cent to 49.5 per cent *ad valorem*. These measures, taken together, would result in an overall loss of about Rs. 41 lakh.

With a view to improving the competitive position of Indian chromite ore in the context of falling prices in the export market, I propose to convert the existing specific rates of export duty applicable to different grades of the ore and concentrates to an *ad valorem* duty of 10 per cent. The revenue sacrifice is of the order of Rs. 1 crore.

I also propose to fully exempt two fertilizers—Calcium Ammonium Nitrate and Ammonium Sulphate from customs duties. The import duty on internal combustion engines and non-interchangeable parts of such engines for manufacture of power tillers is also proposed to be reduced from 125 per cent to 50 per cent.

I propose to fully exempt 10 more bulk drugs import for manufacture of life-saving drugs and medicines. Details are being notified.

During the past few years, the Government has been using the fiscal mechanism for accelerating the growth of the electronics industry. As a further step in this strategy, I propose to raise the basic customs duty on electronic items such as computers, calculating machines, accounting machines, cash registers and certain electronic sub-assemblies from the existing levels of 40, 50 and 60 per cent to 100 per cent *ad valorem*. On the other hand, I propose to extend the scope of the present import duty concessions to cover 45 new items of capital equipment and 13 new items of raw materials and components used by the electronics industry. The customs duties leviable on these items are proposed to be reduced from the respective existing rates to 35 per cent *ad valorem* in the case of machinery and instruments, and to 55 per cent *ad valorem* in the case of raw materials and components. The net revenue gain from these proposals is Rs. 13 crore.

Representations have been received that it is not always possible for units in the Free Trade Zones to export their entire production, and that a provision should be made to allow a proportion of the goods manufactured in these Zones to be cleared into the domestic tariff area. It has been decided, subject to certain conditions, to allow such removals up to 25 per cent of the production of a unit for sale or use within the country on payment of appropriate duties. Provision is being made in the Finance Bill to amend the Customs and Central Excise Acts for the purpose.

On the Central excise side, the levy of special duties of excise is proposed to be continued at the existing rates during the year 1982-83. The existing exemptions from the special duty are also proposed to be continued.

As I said earlier, my basic approach has been that additions to revenue from Central excise duties should essentially come from increased production. I am also avoiding recourse to measures which could affect retail prices over a wide spectrum of goods. I have accordingly selected only a very few items for increased taxation. In selecting these items, I have kept in view the demand and supply situation which has resulted in undue profits to trading channels, the scope for subjecting certain articles of elite consumption to a higher rate of tax, and the need to restructure the excise and customs duties applicable to certain basic industries.

The Government has decided to introduce a scheme of 'levy' and 'free' sale of cement, and a dual pricing policy based on this concept. Details of the new scheme are being notified by the Government separately. There has been no increase in the low level of basic excise duty on cement since January 1977, even though thereafter the price of cement has increased very substantially. I propose to increase the total excise duty on ordinary portland cement, portland pozzolana cement, blast furnace slag cement and masonry cement, from Rs. 71.50 to Rs. 135 per metric ton. The more expensive special varieties of cement will be subject to higher rates of duty. The effective total excise duty on cement produced in mini cement plants is proposed to be fixed at Rs. 100 per ton. I also propose to impose a basic customs duty of 10 per cent *ad valorem* on imported cement, together with full countervailing duty. No auxiliary duty would be leviable on imported cement. These proposals will give additional revenue of Rs. 158.73 crore on the Central excise side and Rs. 39.60 crore on the customs side. The impact of the proposed increase in excise duty per bag of cement of 50 kilograms would work out to Rs. 3,175.

In the recent past, certain expensive electronic goods favoured by the affluent are being produced in increasing quantities. These are now subjected to a very low incidence of duty at 8 per cent *ad valorem* under Item 68 of the Central Excise Tariff. I now propose to carve out new entries in the Excise Tariff, and subject video cassette recorders and reproducers, television cameras and video cameras, and similar goods to a basic excise duty of 25 per cent *ad valorem*. Blanks and recorded video and audio tapes of the spool and cassette types, as also video discs are also proposed to be subject to a basic duty of 25 per cent *ad valorem*. Recordings which are not for commercial purposes will be exempt. I also propose to levy basic duty at a higher rate of 40 per cent on electronic machines for games of skill or chance, including those used for television games and video games. These proposals would yield revenue of Rs. 3.83 crore.

Toilet preparations not containing alcohol are liable to Central excise duty at the basic rate of 100 per cent *ad valorem* whereas those containing alcohol attract duty under the Medicinal and Toilet Preparations (Excise Duty) Act at only 60 per cent *ad valorem* or Rs. 13.20 per litre of pure alcohol content, whichever is higher. Some misuse because of these differential rates has come to notice. I, therefore, propose to raise the alternative *ad valorem* rate to 100 per cent *ad valorem* so as to place both categories of toilet preparations more or less at par. The revenue yield from this measure is expected to be Rs. 2.30 crore and would accrue mostly to the States.

Hon'ble members may recall that the Textile Policy Statement of March 1981 envisaged a review of fiscal levies on man-made fibres and yarns. While cotton will continue to enjoy the predominant position in textiles, it is necessary to encourage increased consumption of blends of cotton and man-made fibres and yarns, if we are to achieve the Plan target of even a modest increase in the per capita availability of cloth. For some time past, blended fabrics containing polyester fibre in proportions too small to impart the requisite durability and easy-care properties to the fabrics are flooding the market with stampings thereon which would mislead the public. From the point of view of better utilisation of polyester fibre, it is necessary to encourage blends of desirable proportions and discourage blends which do not really serve the intended purpose. I, therefore, propose to make certain changes in the fiscal levies applicable to man-made fibres and yarns. I propose to increase the duty on blended cotton yarn and cellulosic spun yarns containing upto one-sixth by weight of polyester fibre from the existing average total incidence of Rs. 1.63 per kilogram to Rs. 7.5 per kilogram. The total incidence on such blended yarns containing more than one-sixth but less than 50 per cent of polyester fibre, which seem to be desirable blends in Indian conditions, is proposed to be reduced from Rs. 22.50 per kilogram to Rs. 11.25 per kilogram. Similarly, the incidence on blends containing 50 per cent or more but less than 70 per cent of polyester fibre is being reduced from Rs. 30 per kilogram to Rs. 22.50 per kilogram. There will be no change with regard to blends containing 70 per cent or more of polyester fibre.

It is proposed to increase the total incidence of Central excise duty on acrylic fibre from Rs. 12.50 to Rs. 17.50 per kilogram and simultaneously to reduce the countervailing duty on imported fibre from Rs. 37.50 to Rs. 30 per kilogram.

Turning to viscose staple fibre, the excise duty is being raised from Rs. 3.125 per kilogram to Rs. 4 per kilogram and the duty on polynosic and high wet modulus fibres is being reduced from Rs. 5 to Rs. 4 per kilogram.

Acetate filament yarn Which is used in the decentralised sector is not produced in adequate quantities in the country. It is proposed to reduce the customs duty on it from 125 per cent to 20 per cent *ad valorem* so as to facilitate imports of this yarn.

I do not propose to change the excise or basic customs duty rates applicable to other fibres such as acetate fibre and polyester fibre and other filament yarns such as viscose, nylon and polyester filament yarn.

These proposals would result in a net loss of Rs. 13 crore on the Central excise side and a gain of Rs. 12.94 crore on the customs side.

At present, there is no basic excise duty leviable on man-made fabrics, the incidence of such duties having been shifted to the fibre and yarn stages. These fabrics attract only additional excise duties in lieu of sales tax. While the present rate structure is progressive on fabrics having ex-factory price upto Rs. 10 per square metre, it is not so in respect of the higher priced fabrics since the duty applicable to them is a uniform 5.50 per cent *ad valorem*. There are very high-priced fabrics in this range, catering to affluent consumption, and these fabrics can well bear a moderate increase in duties. I, therefore, propose to introduce further progression in the rate structure in such a way that fabrics having ex-factory prices of more than Rs. 20 per square metre would attract duty at 7.50 per cent *ad valorem*. The additional revenue from this proposal is estimated at Rs. 35 crore, which will go to the States. The proposal would also be a step towards fulfilment of the Centre's commitment to the States to increase the overall incidence of additional excise duties in lieu of sales tax; as a percentage of the value of clearances, I am sure that Parliament and the States would whole-heartedly welcome this step.

The overall effect of the duty changes on blended fabrics containing cotton; cellulosics and polyester would be a decrease in the price of desirable blends and an increase in the price of the other less desirable blends.

I have included in the Finance Bill some provisions designed to achieve simplification and greater clarity in the tariff nomenclature and thereby minimise the scope for classification disputes. These measures are not designed as revenue raising exercises, but because of the changes in classifications, some revenue will accrue. The proposals cover, among others, major petroleum products, artificial and synthetic resins and plastic materials.

I also propose to rationalise and restructure the tariff relating to paper and paper boards, the primary objective being to exempt small scale paper converters from payment of excise duty and to release them from excise control. In order to recoup the consequent loss in revenue, I propose to raise the basic excise duty on industrial varieties of paper and paper boards by a small margin of 2.5 per cent *ad valoram*. However, certain converted papers of high value-added categories are proposed to be subject to basic excise duty at 32.50 per cent *ad valorem*. Similarly, specified articles made of paper and paper board are proposed to be brought within the purview of the tariff item but effectively restricting the levy to printed cartons and printed boxes.

In recent years, the scheme of input excise duty relief has been extended to cover certain specified industrial products. I propose to further extend input duty relief in respect of synthetic rubber, carbon, black and rubber processing chemicals going into the production of tyres. To make up for the revenue loss, I propose to raise the duty leviable on tyres from a total of 60.5 per cent to 66 per cent *ad valorem*. While tyres for tractors and scooters will also enjoy the benefits of the input duty relief, I do not propose to increase the final duty rates on them. As this is intended to be a balancing exercise, no credit for additional revenue is being taken.

As the House is aware, the administered price of aluminium metal is revised periodically, keeping in view escalations in input costs. In order to contain the incidence of excise duty, it is proposed to levy duty at specific rates. The rates would be Rs. 3,085 on electrolytic grade ingots, Rs. 3,125 on bellets, Rs. 3,330 on wire rods produced by primary producers and Rs. 3,280 on wire bars. There would be no change in the rates of countervailing duties. The proposal will give some relief to the finances of State Electricity Boards.

As an anti-avoidance measure, I propose to add to the present *ad valorem* levy on flat glass, a specific levy at the rate of Rs. 5.50 per milimetre thickness per square metre. Effective rate of duty are being prescribed at lower levels for different categories of flat glass.

The Government has received a large number of representations alleging malpractices in the *biri* industry, on account of the present differential rates of excise duty applicable to branded and unbranded *biris*. Many State Governments and Associations have urged that this distinction should be done away with. A suggestion to the same effect has also been made in a recent meeting of Labour Ministers. Taking note of these points, I propose to do away with the existing duty differential and to subject both branded and unbranded *biris* to a uniform composite duty rate of Rs. 3.60 per thousand. Simultaneously, the existing quantum of unbranded *biris* eligible for duty free clearance is also being reduced from 30 lakh to 20 lakh in a financial year. This would still leave self-employed family units, petty shop-keepers, etc., out of the tax net.

The general scheme of excise duty concession applicable to small manufacturers of 72 specified groups of commodities is being extended to manufacturers of asbestos fibre and yarn. Some misuse of the scheme with a view to avoiding excise duty on popular brands of aerated waters has come to notice. I, therefore, propose to take aerated waters out of the scope of the general scheme and devise a new scheme for it. Essentially, small manufacturers who sell their products under their own brand or trade names would continue to enjoy the benefits available under the present scheme. However, manufacturers who produce and bottle aerated waters under brand of trade names in pursuance of agreements with the owners of such brand or trade names would not be eligible for the concession. This also is purely an anti-avoidance measure.

The general scheme referred to earlier seems to have been similarly exploited by certain small manufacturers of synthetic organic dyestuffs. Under the present scheme clearance up to Rs. 7.50 lakh are fully exempt and an additional Rs. 7.50 lakh are subject to duty at three-fourth of the duty rate applicable to the organised sector. In view of the relatively high rate of duty on dyestuffs and the fact that techniques of production of some dyestuffs are comparatively simple, it appears there has been a proliferation of small units with consequent deleterious effects on the quality, and also on the industry as a whole and on exports. I, therefore, propose to delete dyestuffs from the purview of the general scheme. Under a new scheme which is being announced in respect of dyestuffs, very small manufacturers whose clearances do not exceed Rs. 1 lakh per annum will be fully exempt from excise duty. In the case of other small manufacturers clearances upto Rs. 15 lakh of dyestuffs will be subject to 50 per cent of the duty applicable to the organised sector. All manufacturers will be brought under excise control. The monetary content of the present scheme of relief is, by and large, maintained under the new scheme.

At present, certain specified consumer electronic goods manufactured in the small sector attract duty rates lower than the normal rates. To restrict this duty concession to genuine small manufacturers, it is proposed to restrict the scheme of duty exemption to manufacturers with total annual turnover not exceeding Rs. 2 crore.

With regard to the match industry, I do not propose to disturb the existing duty structure. Small manufacturers whose clearances have not exceeded 150 million matches in the preceding financial year would continue to be eligible for the concessional rate of duty of Rs. 1.60 per gross boxes on clearances up to 120 million matches in the financial year. The concession will not be available if the matches are marketed under the labels of manufacturers who pay duty at Rs. 4.50 or Rs. 7.20.

As hon'ble members are aware, the Government has been using the excise duty mechanism as a powerful incentive for the growth of the cottage sector of the match industry. A number of manufacturers in the middle sector have, however, challenged in courts of law, the excise concession scheme for the cottage sector and obtained judgement in their favour. This may result in refund of substantial amounts of duty to the middle sector units. As the element of duty at the higher rate would have already been passed on to the millions of consumers any refund of such duties would only result in unjust enrichment. A provision has been made in the Finance Bill to obviate this contingency.

There have been some disputes in the recent past regarding the determination of assessable values of excisable goods from a given *cum*-duty price resulting in considerable litigation. This has resulted in locking up substantial amounts of revenue. It is proposed to suitably amend section 4 of the Central Excises and Salt Act to make it clear that in computing the amount of duty of excise deductible from the *cum*-duty price the effective amount of duty of excise payable on the goods under assessment shall alone be taken into account. This amendment is being given effect to, retrospectively from 1 October 1975.

It has been the long-standing practice to charge excise duty on goods used for captive consumption within the factory where they are produced. Some doubt had, however, been cast on this position as a result of judgements of some High Courts, which interpreted certain provisions of the Central Excise Rules to hold that duty could not be collected on such goods as they had not been 'removed' from the factory. A number of manufacturers have also obtained stay orders from courts based on the same grounds. The matter has been taken up in appeal. Nevertheless, in order to place the position beyond doubt, the relevant Central Excise Rules have been suitably amended. A provision has also been included in the Finance Bill so that these amendments will have retrospective effect and the collections of duty made in accordance with the existing practice will also be validated.

As the House is aware, 1982 has been designated by the Prime Minister as the "Productivity Year". With the improvement in infrastructural facilities, it is hoped that industrial production would register further growth in the current year. The fiscal mechanism could be judiciously deployed in furthering this objective. With this in view, I propose to formulate a scheme of excise duty concession for increased production of goods during the period of 12 months commencing on 1 March 1982 and ending on 28 February 1983. The scheme would cover 38 tariff items including some basic raw materials, other important industrial inputs and certain finished products. Some of the items are caustic soda, fertilisers, synthetic resins, steel ingots and steel products, internal combustion engines, wires and cables, two and three-wheeled motor vehicles, light and heavy commercial vehicles, tractors, railway wagons, man-made fibres and filament yarn, tyres and writing and printing paper.

A full list may be found in the Budget papers. The benefits of the scheme would accrue only in cases where the production in the 12 months period referred to above exceeds 110 per cent of the production during the base period, namely, the 12 months ending on 28 February 1982. The duty concession would be $\frac{1}{5}$th of the total amount of duty paid on the excess production computed, as explained earlier, in respect of goods carrying basic excise duty of 20 per cent *ad valorem* or less, and $\frac{1}{10}$th of the duty in other cases. The amount so computed for the whole period would be given as a credit which may be utilised for payment of Central excise duty during the financial year 1983-84.

The scheme will also apply to small-scale manufacturers, who actually pay duty. It is proposed to ensure that those small-scale units which are eligible for the benefits of the relevant excise duty concession schemes and are within the respective cut-off points during the year 1981-82, would continue to be eligible to the said benefits in 1983-84, even if they produce and clear goods in excess of the eligibility limits in the Productivity Year.

I am sure that industry will rise to the occasion and respond to this generous gesture of the Government and achieve new peaks of production. Since the Government would also be a beneficiary of the higher production in the shape of increased collection of excise duties, I do not propose to take any amount as revenue loss on account of the proposed concession.

I have already referred to the need to minimise the impact of my proposals on the middle and poorer sections of society. I propose to go further and give some concessions on articles of special interest to those sections. I propose to partially or fully exempt from excise duties several articles of common consumption. Some of these products are of interest to the student community, some are of general utility, yet others are of interest to the disabled and one in the interest of horticulture. I propose to fully exempt from excise duty, pencils, erasers, pens including ball point pens and refills, laboratory glassware, enamelware, thermos flasks and parts, water coolers, candles, tooth brushes, spectacles,... and spectacle frames, alarm clocks, domestic water filters, handpumps, Braille typewriters, invalid carriages and helmets.

Further, I propose to reduce the basic excise duty on specified fruit and vegetable preparations from 15 per cent to 10 per cent *ad valorem*. I also propose to increase the present value limits of Rs. 15 per pair of footwear for eligibility to full duty exemption, to Rs. 30 per pair. Lac is also being exempted. In order to reduce the packaging cost involved in the sale of milk in laminated paper packs, I propose to exempt from excise duty low density polyethylene film and paper to be used by the Indian Dairy Corporation for the manufacture of such paper packs. This measure should enable larger marketing of milk in paper packs which have a longer self life, and also help in the fuller utilization of surplus milk produced in flush seasons.

At present, mopeds of engine capacity upto 75 cc bear a reduced rate of excise duty of 10 per cent *ad valorem*. This fuel-saving personalised conveyance is becoming increasingly popular particularly in urban and semi-urban areas. I propose to extend the concession to mopeds of engine capacity upto 100 cc which are expected to be more fuel-efficient.

I had referred earlier to certain adjustments of excise and customs duties consequent on a review of the fiscal levies on man-made fibres and yarn. The production of blended cloth in the handloom sector is at present around 12 million metres. In order to enable the handloom sector to register faster growth, I propose to fully exempt from excise duties polyester blended fabrics woven on handlooms from processing stage duties, if they are processed in factories set up by State Handloom Development Corporations or Apex Co-operative Societies approved in this behalf by the Central Government. This concession involves a revenue loss of Rs. 4 crore. I also propose to exempt metallised man-made filament yarn from the whole of the excise duty considering its use in *saris* and the like. The value for this concession is about Rs. 1 crore.

These excise duty concessions I have just referred to entail a total revenue sacrifice of Rs. 13.77 crore in a full year.

Where the changes are to be made by Notifications effective from 28 February 1982, copies thereof will be laid on the Table of the House in due course.

My proposals will yield a net sum of about Rs. 196.18 crore from excise duties and Rs. 391.35 crore from customs duties. The yield from duties under the Medicinal and Toilet Preparations (Excise Duties) Act will be Rs. 2.30 crore in a full year. Taking all the proposals together, the net accrual to the Central Exchequer in a full year will be Rs. 487.60 crore and that to the States will be Rs. 102.23 crore.

I now have something to say on behalf of my hon'ble colleague, the Minister of Communications.

As the House is aware, postal services have been extended over the years throughout the country. There are over 1,40,000 posts offices. The service is highly employment intensive, with more than 5.6 lakh employees including extra-departmental staff. Salaries and wages, therefore, constitute a major part of the operating expenses of the Postal Department. The postal services are presently under-priced and the rates are inadequate even to meet the direct cost of several services. The grant of additional instalments of dearness allowance, and increases in other operating expenses, add significantly to these costs. A revision of tariffs for some postal services has, therefore, become unavoidable. Accordingly, it is proposed to raise the rate for printed post cards from 20 paise to 25 paise, letter cards from 25 paise to 35 paise and envelopes of the lowest weight slab from 35 paise to 50 paise .... There will be no increase in the rate of the ordinary post-card which is generally used by the common man, even though this service involves an annual loss of about Rs. 20 crore.

The tariff for book-post article is also proposed to be raised from 25 paise to 30 paise. The postage for a registered newspaper has remained at the very low level of 2 paise for many years now. It is proposed to fix it at 5 paise for a single newspaper, with suitable adjustments for higher weight slabs. Even after this revision, the newspaper service will be subsidised to the extent of Rs. 7 crore a year.

A memorandum showing the proposed tariffs is being circulated along with the Budget documents. The changes would take effect from a date to be notified after the Finance Bill is passed by Parliament. The revisions proposed are estimated to yield an additional revenue of Rs. 35.33 crore in a full year and about Rs. 26 crore in 1982-83.

I had mentioned that the budgetary deficit at the existing rates of taxation would be Rs. 2,085 crore. The tax measures proposed now, taken together with the reliefs and concessions are estimated to yield net additional revenue of Rs. 470 crore to the Centre and Rs. 63 crore to the States during 1982-83. Besides the States will get an additional revenue of over Rs. 2 crore from the increase in the duty on medicinal and toilet preparations. I am taking credit for Rs. 250 crore as receipts from the 'Capital Investment Bonds' which I referred to earlier. This would leave an uncovered deficit of Rs. 1,365 crore in 1982-83, which is substantially lower than the estimated deficit for the current year.

Mr. Speaker, Sir, I have set forth a framework of policies with a view to encouraging higher savings, investment and production in the economy. Plan outlays are being stepped up substantially particularly for sectors emphasized in the 20-Point Programme. Adequate provision has been made for national security. Despite these commitments, the budgetary deficit has been contained within reasonable limits. To achieve this a measure of resource mobilisation was inescapable. I have however, taken care to see that resources are raised without building new inflationary pressures. In particular, I have tried to avoid placing burdens on the low and middle income groups. The Budget constitutes a challenge to all those who are associated with the implementation of our development plan. It is an invitation to farmers, industry and labour for higher productivity; to the trading community for ensuring healthy marketing and distribution; and, indeed, to all our people, soldiers and civilians, to march forward shoulder to shoulder in the twin tasks of national development and defence.

Sir, I now commend the Budget to the House.