

# Nath clears air on trade-off

## OUR SPECIAL CORRESPONDENT

New Delhi, Dec. 20: Commerce minister Kamal Nath today said the apprehensions of the Left over the WTO agreement were "absolutely misplaced" as India's interests in agriculture, industry and services had been addressed in the ministerial declaration.

Nath will meet Left leaders soon to clarify the position. The country had made substantial gains from the deal without compromising on its policy space, he added.

"I have also sought time from the Lok Sabha speaker and the Rajya Sabha chairman to make a statement in Parliament," he said.

The CPM had said yesterday that the government had failed to protect the interests

of farmers and given away major concessions in the services sector at the WTO talks in Hong Kong.

The minister said India would not have to reduce tariffs for its farm products as the agreement clearly recognises the need to protect poor farmers in the country. In addition, it provides for a special safeguard mechanism to protect the sector from any sudden surge in imports, he said.

Besides, India would not have to reduce the assistance that is being extended to poor farmers.

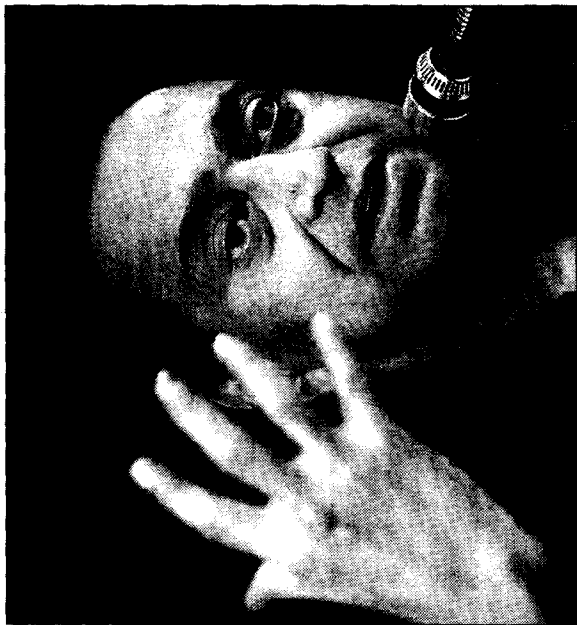
Developed countries will have to reduce export subsidies by 2010 and eliminate them completely by 2013. This would make Indian products competitive and help the country's exports in the global markets.

The CPM claims the special products and safeguard mechanism will not be sufficient as India had already agreed to further cuts in agricultural tariffs.

"The government has to explain how the agreement in Hong Kong will help protect our farmers and agriculture," the CPM said.

Similarly, it had criticised the agreement on industrial tariffs as it would entail substantial cuts in rates for India and the developing countries.

The Left feels the most retrograde part of the declaration is regarding services. According to the new regime, FDI in various services sectors will have to be negotiated as the text obliges India to consider "commitments on enhanced levels of foreign equity participation".



Commerce minister Kamal Nath in New Delhi on Tuesday. (Reuters)

# Pension reforms run into rough weather

J. B. K. K. K.

11/15 19/12

## Opposition to market-dependent benefits under proposed system

**I**N MANY other countries, reforming pension and social security systems had led to national debates. In the U.S., President George Bush had to roll back his ambitious plan to replace a seventy-year-old social security system with privatised personal accounts. The U.K. is currently rocked by the report of Lord Turner on pensions.

In India, there has been no informed debate on the issue. Partly, this is because there is no broad based social security system at present. Given the low coverage, it would not have been difficult for governments to disregard political opposition to the reform. The BJP led government could notify the New Pension System on December 22, 2003 though many Left parties accused the government of not consulting them and failing to go by the advice of three of its com-

mittees. The United Progressive Alliance (UPA) took over the BJP legacy, treating it as a part of the on-going financial reforms. Apparently, it lost sight of the shift in the political balance and its dependence on the Left for survival. Intriguingly, it issued an ordinance on December 30, 2004, seeking to set up the Pension Fund Regulatory and Development Authority (PFRDA).

### Impasse over bill

Soon enough, it led to protests from the Left parties that they had not been consulted before its issue. They alleged that it violated the Common Minimum Program (CMP). There were articles in *People's Democracy*, a party journal, voicing opposition to the reforms. Their vehemence was displayed in full form by their walk out on March 21, 2005 when the bill was introduced to replace the ordinance. Since

then the impasse has remained.

Even as the Left parties continue to oppose the bill, the Finance Minister would say (November 16), "I am confident we will be able to pass the pension bill ... That will mean I can have a good start (on financial reforms) and a merry Christmas." It is more like a dialogue of the deaf. If the impasse is to be resolved, there is need for openness and a clearer understanding of the issues. We can draw on recent experience and also on research work.

It was tactically wrong to have linked pension reform with financial reforms. Sadly, the primary thrust was to reduce the pensionary liability of the Government and shift it to the private market. The logic behind the move created distrust. Evidently, much of the inspiration for the pension reforms came from the World Bank, which always places its trust on the market.

### Failed Chilean experience

The Bank's 1984 book "Avert-

**IT WAS TACTICALLY WRONG TO LINK PENSION REFORMS WITH FINANCIAL REFORMS. THE LOGIC BEHIND THE MOVE TO SHIFT GOVT.'S PENSIONARY LIABILITY TO THE PRIVATE MARKET CREATED DISTRUST.**

ing the old age crisis" became bedtime reading for reformers and Chile was seen as a poster child. Later experience in Chile disappointed even the World Bank. In a study released last year (Keeping the Promise of Social Security in Latin America, 2004) it assessed, "More than half of all workers (are excluded) from even the semblance of a safety net during old age." It was reported, "Old age poverty remains a significant risk for the region's citizens." The study felt, "Although transition costs have been higher than expected in some cases, reforms have generally had a positive effect on government finances." Other

non-World Bank researchers were more critical about the Chilean experience.

The U.K. was the earliest to encourage personal investment accounts for pensions since 1978. Even there, it was observed that many citizens suffered from poor investment choices as well as unscrupulous brokers. The government had to bear new administrative expenses and loss of tax revenues and bail out failed private pension plans. A government commission headed by Adair Turner reported in October 2004 that Britain had been living in a "fool's paradise" by thinking it had solved its pension problems. Pension experts

at the Organisation for Economic Cooperation and Development (OECD) added, "What looked like a very good idea from a financial perspective in cutting costs has put pensioner poverty, which had been all but eradicated, back on the agenda."

### Market-driven system

It is significant that under the New Pension System (NPS) to be regulated by the Pension Funds Regulatory and Development Authority, there are no state guarantees for minimum pension or for the return on personal accounts. Benefits are dependent on the market. This is naive.

A study done by Goldman Sachs (Thoughts on Social Security Reform, Global Economics Paper 120, January 18, 2005) poses the issue starkly: "Are we comfortable with a system that redistributes resources toward lower-income households if the markets and economy do reasonably well in coming decades, but redistributes resources away from lower-income households

if the markets and the economy do poorly?"

Recent experience in the U.S. and the U.K. suggests that stock market returns have dived and pension funds are driven to hedge funds for higher returns. Given the present depth of the Indian stock market and the larger role already played by foreign financial institutions, it is unrealistic to expect high or steady long-term returns. What lacerates relations with the left parties is the assumption that foreign direct investment could improve the market or provide better returns.

The weakest link is that there is no provision of social safety or government guarantee in the scheme. Even in the U.S., there are government guarantees for the pension schemes of public corporations. President Bush could not succeed in his efforts to privatise social security.

### Rethinking at World Bank

There is some rethinking among researchers in the World Bank. A recent study (Old-Age

Income Support in the Twentieth Century: An International Perspective on Pensions and Reforms, May 2005) takes a more pragmatic stand. It recognises that "there is no one size fit all" for pension reforms. To the earlier three pillars, which were market dependent, they add two more pillars: One "a basic (zero) pillar to deal with the poverty objective; and a non-financial (fourth) pillar to include the broader context of social policy, such as family support, access to health care, and housing." They suggest that there should be a commitment-building phase to design a programme followed by a coalition-building phase to get support for phased implementation.

The UPA government may be faulted on all accounts: there is no zero pillar in the proposal; there was no prior consultation in evolving the reform or in its implementation. The Left parties have a strong case for insisting on a larger political debate on the reform.

K. SUBRAMANIAN

19 DEC 2005 THE HINDU

# 2007 start for tri-nation pipeline project

NEW DELHI, Dec. 17. — India and Pakistan today agreed today to start constructing the \$7 billion Indo-Iran gas pipeline project in 2007 ignoring the much-voiced "reservations" of the USA.

Work on the 2,100-km long gas pipeline project, which was conceived nearly 15 years ago, will begin by mid 2007 and if all goes well, gas will start flowing into India from Iran via Pakistan by 2010-end.

The decision was taken here on the concluding day of the third round of the Indo-Pakistan

Joint Working Group (JWG) meeting, which was specially called to discuss the proposed Iran-Pakistan-India (IPI) gas pipeline.

In accordance with the initial understanding, India will draw 60 million metric standard cubic meters per day (MMSCMD) of gas from the pipeline project and subsequently take it to 90 MMSCMD over the next two-three years. Pakistan would draw 30 MMSCMD of gas and would double its offtake by 2013.

Both the countries have agreed to set up a technical sub-working group to hammer out

modalities — including transportation tariff, transit fee payable to Pakistan, system configuration, pipeline route and future pricing mechanism, said the Pakistan petroleum secretary, Mr Ahmad Waqar, who is leading the Pakistani delegation for the third JWG meeting here. The proposed sub-group would meet on a monthly basis to work out a system before the next JWG meeting in early March 2006, so that project is not delayed beyond mid 2007, the Pakistan secretary said.

Apart from Mr Ahmad Waqar, the other members of the nine-member Pakistani del-

egation included Pakistan Prime Minister Mr Shaukat Aziz's oil adviser, Mr Mukhtar Ahmed, the Sui Northern Gas Pipeline Ltd managing director, Mr Rasheed Lone, the planning and development deputy secretary, and the technical director of the Inter State Gas Pipeline Ltd.

Given that the preliminary obstacles to the pipeline project have been overcome and both countries have agreed to begin the construction, the first trilateral meeting between India, Iran and Pakistan will be held in early February 2006 in Teheran. In the crucial tri-lateral meeting, the integrated feasibility study,

project structure and tri-partite framework agreement will be discussed, among other things.

"The project structure (how the project will be built and operated) and the Framework Agreement (the agreement between India, Pakistan and Iran on the pipeline) will be finalised by April 2006," said the Union petroleum secretary, Mr SC Tripathi, immediately after today's JWG meeting ended. The first meeting of the JWG was held in New Delhi and the second in Islamabad. The current round of the JWG meeting will be followed by another round of bilateral talks between

India and Iran later this month. However, the deal regarding the project structure and the framework would be finalised in the trilateral talks next year.

The participants of the current two-day JWG meet also took up the issue of other gas pipeline projects. At the last meeting, both countries had decided to appoint separate financial consultants by 15 September and had set December-end deadline for an agreement. But Pakistan is still to appoint a financial consultant. India has already appointed an international company, Ernest and Young, as its consultant.

India - Govt of India  
S.P. 4

# FDI in retail: Manmohan optimistic

“A great deal has been achieved  
under economic liberalisation”

Diplomatic Correspondent

**KUALA LUMPUR:** Prime Minister Manmohan Singh is hopeful of a “positive outcome” during the next five-six months to the debate on whether or not to allow foreign direct investment in the Indian retail sector.

Taking questions after addressing a business gathering, Dr. Singh admitted that there was considerable opposition to the move, which was being discussed by the United Progressive Alliance Government.

Dr. Singh said that West Bengal Chief Minister Buddhadeb Bhattacharjee was trying to attract foreign investment to his State in this part of the world recently.

“Now, nobody would think that communists were very good at attracting foreign direct investment, but we have a Left Front Government which is now going out of its way to create ... in West Bengal, world-class facilities to attract FDI ...,” he said.

## “Right signal”

“On the whole, the competition for attracting investment is creating the right sort of signal in the minds of our politicians and those politicians who want to obstruct business practice [and] business processes... are increasingly becoming a minority rather than being a dominant force,” the Prime Minister said.

Suggesting that the “act of investment” in a country was also an “act of faith” in the future of a country, Dr. Singh told businesspersons: “Have faith in our country.” Competition was a two-edged weapon; it helped those who were strong and hurt those who were weak.

Stating that he would be the last one to claim that everything in India was rosy, the Prime Minister, however, pointed out that India had made a break with the past in 1991 and that economic liberalisation had come to stay.

“I would not claim that the process has reached a [finish] ... But a great deal has been achieved. Indian entrepreneurs do not need licence to start business.”

• India needs an investment of \$150 billion in infrastructure

• Modernisation plans of Delhi, Mumbai airports on public-private partnership soon

According to him, the process of liberalisation was also a struggle for the minds of the people, in which the Government was succeeding despite the problems.

Pointing to the change of governments in India in the last 15 years, Dr. Singh pointed out that no government had tried to reverse the direction of liberalisation.

This process had widespread acceptance in the country, he said, and invited Asean business to come and test the waters in India. India would need a minimum investment of about \$150 billion in the infrastructure sector.

Asked if Bangalore remained the “intellectual capital” of India, Dr. Singh said that “in many ways” it remained the intellectual capital, but Hyderabad, Chennai and New Delhi had also become centres of high-tech activity.

## Radical changes

The “weak spot” in the country was that India had concentrated on high-tech software and had not paid enough attention to hardware. “Please come and look at the possibilities ... in the development of the hardware sector in our country,” he told the assembled businesspersons.

Pointing out that India today was engaged in a radical transformation of its road and rail sectors, he said modernisation and expansion plans of the Delhi and Mumbai airports based on a public-private partnership were also on the horizon.

“New airports are also being built in Hyderabad, in Bangalore. So, in the next five-six years, India’s infrastructure should also undergo a sea change,” the Prime Minister added.

13 DEC 2005

# Govt high on 7% growth

## Robust Farm Sector And Limited Inflation To Ensure A Bountiful Year

New Delhi: India is on course for another year of high growth, boosted by a rebound in the farm sector, the government said on Friday, adding inflation was contained at moderate levels.

The country's economy, Asia's third-largest, grew an annual 8% in the July-September quarter, beating forecasts due to strong output in services and manufacturing, prompting analysts to raise their full-year growth forecasts.

"The review projects the continuation of the high growth of around 7% for the economy in 2005/06, buoyed by the first-half overall

GDP growth of 8.1 percent," according to the survey unveiled in parliament.

It said the farm sector was expected to grow at more than 3%, supported by grains output of about 5% because of near-normal southwest monsoon rains.

Agriculture grew an annual 2% in July-September, the second quarter of India's financial year, compared with 2% growth in the previous three-month period.

The sector accounts for a fifth of the economy, but wields enormous influence on domestic consumer demand since more than 600 million

of India's billion-plus people depend on it for a livelihood.

Analysts said growth will continue to be 7-8% for the next few years as consumer demand is likely to be strong due to growth in the farm and service sectors.

"Overall prospects are bright for the economy. Growth will continue at this pace in the near future largely because of services," said Riyaz Khan, economist with Mumbai-based private think-tank Centre for Monitoring Indian Economy.

Indian policymakers forecast expansion in 2005/06 of 7.0-7.5 per cent. Prime Minister Manmohan

Singh says growth should reach 10 percent in two to three years, although analysts say India's poor infrastructure could hinder long-term progress.

The review also conceded this, saying incremental spending on infrastructure in India was too low for the size of the economy. It said domestic inflation had been contained at moderate levels despite a rise in international crude oil prices.

"With the pursuit of appropriate and fiscal measures it should be possible to contain annual average inflation to below 5-5.5% in 2005/06." TNN & Agencies

10 DEC 2005

ANADABAN

# পি এফ নিয়ে বাম চাপে অনাড় প্রধানমন্ত্রী, সংঘাত স্পষ্ট

দীপ্তেন্দ্র রায়চৌধুরী

নয়া দিল্লি, ৯ ডিসেম্বর: চরিত্র ফটো চাপ সৃষ্টি করেও মনমোহন সিংহকে টানাতে পারলেন না বামপন্থীরা।

সরকার ভর্তুকি দিয়ে প্রতিভেদে এমন প্রত্যাশায় আজ স্বভাবসুলভ শান্ত ভাবেই ঠান্ডা জল তেলে দিয়েছেন প্রধানমন্ত্রী। উল্টে শ্রম সংস্কারের পথ থেকে তাঁকে যে নড়ানো যাবে না, তা-ও বাম শ্রমিক নেতাদের বুঝিয়ে দিয়েছেন তিনি। আর এই ঘটনা ঘটল প্রায় চরিত্র ফটো ধরে বামদের সঙ্গে সরকারের মায়ুস্কের পর।

সাড়ে নয় থেকে প্রতিভেদে ফাঙের সুদের হার এক ধাক্কায় সাড়ে আটে নামিয়ে আনার ফলে কতটা বিরূপ প্রতিক্রিয়া হতে পারে তার আন্দাজ প্রধানমন্ত্রীর ছিল না, এমন নয়। কিন্তু

চন্দ্রশেখর রাও সংসদ চলার সময়েই সুদ কমালোর কথা ঘোষণা করে তাঁকে বিপাকে ফেলে দিয়েছিলেন। ক্ষুদ্র প্রধানমন্ত্রী তাঁর শ্রমন্ত্রীর কাছে তাই গত কাল জানতে চেয়েছিলেন, এই সময়ে তিনি সুদের হার ঘোষণা করলেন কেন। রাজনৈতিক সূত্রের খবর, শ্রমন্ত্রী তাঁকে বলেন, বছর শেষ হয়ে আসছে বলেই অর্ধ পরিষদের বৈঠকের পর তিনি সিদ্ধান্ত ঘোষণা করে দেন।

রাও কিন্তু সংসদ চলার সময় সুদের হার ঘোষণা করে আদতে বামদের হাতে অস্ত্রই তুলে দিয়েছিলেন। তার সুযোগ নিয়ে কাল লোকসভা মূলতু বি করে দিয়ে বামদের সঙ্গে মিলে

বিজেপি কার্যত কংগ্রেসকে একঘরে করে ফেলে। তারপরেই কাজে নেমে পড়েন সিঁচুর সভাপতি এম কে পাক্কে ও এইটাকের সাধারণ সম্পাদক গুরুদাস দাশগুণ্ডা। আজকের ভারতীয় শ্রম

সম্মেলনকে অগ্র করে তাঁরা ঠিক করেন, প্রধানমন্ত্রী নতিস্বীকার না-করলে সরাসরি সংঘাতে যেতে হবে। আর নতিস্বীকার করানোর জন্য প্রধানমন্ত্রীকে শ্রম সম্মেলনে তাঁদের বক্তব্য শুনতে এবং আশ্বাস দিতে হবে বলে দাবি তোলেন তাঁরা।

প্রথা অনুযায়ী সম্মেলনে শ্রমন্ত্রী এবং শিল্পপতিদের ও ট্রেড ইউনিয়নের (বৃহত্তমার্গ, অর্ধৎ ভারতীয় মজদুর সংজ্ঞার) এক জন করে প্রতিনিধির বক্তব্যের পরেই নিজের কথা বলেন প্রধানমন্ত্রী। এবং তারপর তিনি চলেও যান। এ বারেও তার অনাথা হওয়ার কথা ছিল না।

এই অবস্থায় পাক্কে সঙ্গে কথা বলে গুরুদাস যোগাযোগ করেন সংসদীয় মন্ত্রী প্রিয়রঞ্জন দাশমুন্সির সঙ্গে। শুরু হয় তৎপরতা। সরকারের কতরাই প্রধানমন্ত্রীকে জানান, বাম

ট্রেড ইউনিয়নগুলি যদি প্রধানমন্ত্রীর সামনে বলার সুযোগ না পায়, অথবা যদি প্রধানমন্ত্রী প্রতিভেদে ফাঙের শ্রমে নীরব থাকেন, তা হলে বামেরা সম্মেলন থেকে গরাকআউট করবেন।

শেষ পর্যন্ত প্রধানমন্ত্রীর অফিস ছির করে, প্রধানমন্ত্রী সমস্ত কেন্দ্রীয় ট্রেড ইউনিয়নের বক্তব্য শুনে তারপর বলবেন। কিন্তু সুদ বাড়ানোর আশ্বাস দিতে রাজি হননি প্রধানমন্ত্রী। তখন বামদের তরফ থেকে বলা হয়, অন্তত বিবেচনা করে দেখার আশ্বাস প্রধানমন্ত্রী দিন। সেটাই হয় রকাসূত্র।

কিন্তু এত কিছু পরেও নরম হননি মনমোহন। আজ সম্মেলনে শুধু বামেরা নয়, সমস্ত ট্রেড ইউনিয়ন সুদের হার কমালোর বিরোধিতা করে। সমস্ত কেন্দ্রীয় ট্রেড ইউনিয়নের নেতারা ই উপস্থিত ছিলেন। প্রধানমন্ত্রী বলেন, “আমি ট্রেড ইউনিয়নগুলির বক্তব্য

শুনছি এবং আমি স্বীকার করছি সুদের হার কমার বিষয়টি প্রতিভেদে ফাঙ গ্রাহকদের আঘাত করবে। আমি বিষয়টি নিয়ে (শ্রম) মন্ত্রক ও অফিসারদের সঙ্গে কথা বলে দেখব প্রতিভেদে ফাঙের যা সম্পদ আছে তা থেকে কিছু করা যায় কিনা।”

অর্থাৎ, সব কিছুর পরেও ট্রেড ইউনিয়ন কর্তাদের হাতে রইল পেনসিল। কারণ, প্রতিভেদে ফাঙ কর্তৃপক্ষের কাছে যা টাকা আছে তা দিয়ে কোনও ক্রমে আট শতাংশ সুদ দেওয়া যায়। চন্দ্রশেখর রাও বরং বাক্যে আদায় করা সম্ভব হবে, এই বিশ্বাস থেকে ঝুঁকি নিয়ে আধ শতাংশ বেশি সুদ ঘোষণা করেছেন।

বামেরা আশা করছিলেন সরকার ভর্তুকি দিয়ে সুদের হার আরও আধ শতাংশ বাড়িয়ে নয় শতাংশ করবে। কিন্তু সেই আশা মরীচিকা হয়ে

দিয়েছে। এর পর বামেরা যতই চেষ্টা করেছিল, কিছু ঘটান সজাবনা যাচ্ছেই ফাঁপ।

শুধু তাই নয়, আজ নিজের লিখিত বক্তৃতা পড়ার সময়ে প্রধানমন্ত্রী স্পষ্ট করেই বুঝিয়ে দিয়েছেন, শ্রম সংস্কারের কাজে তিনি এগিয়ে চলবেন। তিনি বলেন, “কিন্তু শ্রম আইন শ্রমিকদের স্বার্থেরই বিরোধী হয়ে দাঁড়িয়েছে। কারণ সেগুলির জন্যই শ্রমনির্ভর শিল্পের পরিবর্তে তৈরি হচ্ছে অনেক বেশি ব্যয়সাধ্য প্রযুক্তিনির্ভর শিল্প।”

তারপরেই অবশ্য সঙ্কায় গুরুদাস বা অবনী রামেরা প্রথমে মুখোপাধায়ের কাছে গিয়ে সরকার-ইউনিয়ন বৈঠকে ক্ষুদ্র শিল্পে শ্রম আইনের প্রমো পর্ষবেষণ-স্বীকৃতি তুলে দেওয়ার বিরোধিতা করেছেন।

শ্রম প্রতিদ্বন্দ্বিতা সংঘাতের ছবিটা স্পষ্ট

# WTO draft shows convergence: Kamal Nath

Statesman News Service

NEW DELHI, Nov. 28. — India would like to scale up the first WTO Hong Kong ministerial draft while stating that it was hopeful of arriving at a convergence. "It is not a question of forcing but reaching a consensus," Mr Kamal Nath said on the sidelines of the India Economic Summit, which the Prime Minister, Dr Manmohan Singh, is scheduled to address tomorrow.

The WTO came out with its first ministerial draft on Saturday night, ahead of the WTO ministerial at Hong Kong next month. Mr Nath described the document as "the first draft" and said India wanted to move forward on this". He said the Hong Kong ministerial was much more than what the draft implied.

There was continuous engagement at various levels — technocratic, political and bureaucratic, the minister said. Not just contentious but difficult issues were being taken up, he added. India would be discussing issues like non-tariff barriers and anti-dumping, he said.

Earlier, addressing the plenary session of India Economic Summit, jointly organised by the World Economic Forum (WEF) and the CII, Mr Nath said the tax regime should be further simplified to boost inflow of foreign direct investment (FDI) into India as well as exports. He said the most striking feature was that economic reforms in India had been transformed from the crisis-driven,

to success-driven.

Furthermore, people had seen the process of reform not as something thrust on them from above, but as something to be welcomed, and long overdue. "I stress this point, because more than anything, it is this paradigm shift in public perception that is the greatest guarantee that the economic reform process is irreversible," he said.

The minister pointed out: "Changing corporate strategies and production systems open new possibilities for developing countries to enter technology-intensive and export-oriented activities they could not otherwise have undertaken, and become a part of the international production system."

India, Mr Nath said, intended to make full use of this opportunity. "I believe that India has the next two decades in the same way that America did in the last century, or that China has been doing for the past two decades. We are determined that India exploits this potential to the fullest".

He mentioned that India's capital markets had also played a significant role in creating growth impulses in the economy. In 2004, for example, Indian firms raised three times more capital from overseas money markets compared to 2000. FDI in India, though not as much as in China, had produced results 1.5 times more productive and more effective. "We have now raised the bar of our GDP growth and are poised to enter into an eight per cent growth trajectory," he added.

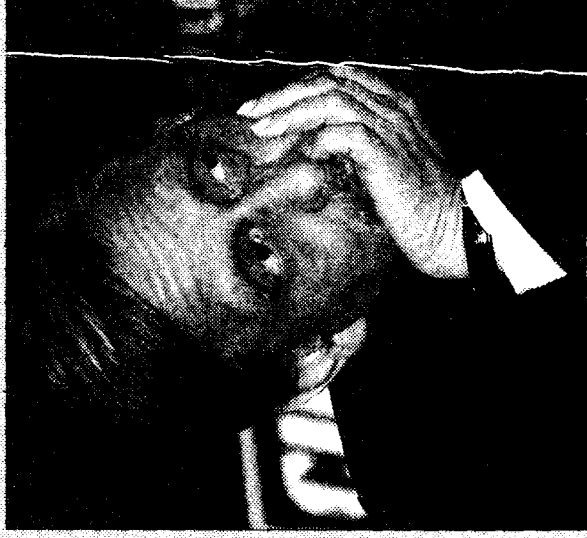
## 'India to step up efforts for new oil, gas fields'

ONGC has done a heroic job of maintaining production from its ageing fields. But there is an apprehension that there will be a natural steep decline in production," Mr Mani Shankar Aiyar said at the India Economic Summit here. Most of the country's prime fields have peaked and face the possibility of a natural decline setting in. ONGC has maintained crude oil production at over 26 million tons for the past few years.

"We need to jack up domestic production by bringing new areas under exploration," he said, adding 80 per cent of India's prognosticated reserves have not yet been explored. Mr Aiyar said the government would introduce new terms in the next round of bidding for exploration acreage and plans to introduce Open Acreage policy for the first time on an experimental basis next year.

"We want companies to bid for the blocks they want and not ask them to quote for blocks we offer," he said, adding the new policy would encourage foreign companies to come to India. "We do not want foreign companies for their money but the technology and entrepreneurship of another order they would bring in," he said.

Speaking on the proposed gas pipeline, he said gas imports from Iran by pipeline passing through Pakistan was indispensable to its economic growth and a trilateral dialogue on the pipeline will begin early next year. "Iran-Pakistan-India pipeline is indispensable for India's energy security and its economic growth," the minister said. — PTT



Mr Mani Shankar Aiyar

NEW DELHI, Nov. 28. — India will step up efforts to find new oil and gas fields as the country's largest oil producer Oil and Natural Gas Corporation expects output from its existing fields to drop sharply in the next few years.

৫৩ দিনের লেনদেনেই সূচক বাড়ল হাজার অঙ্ক

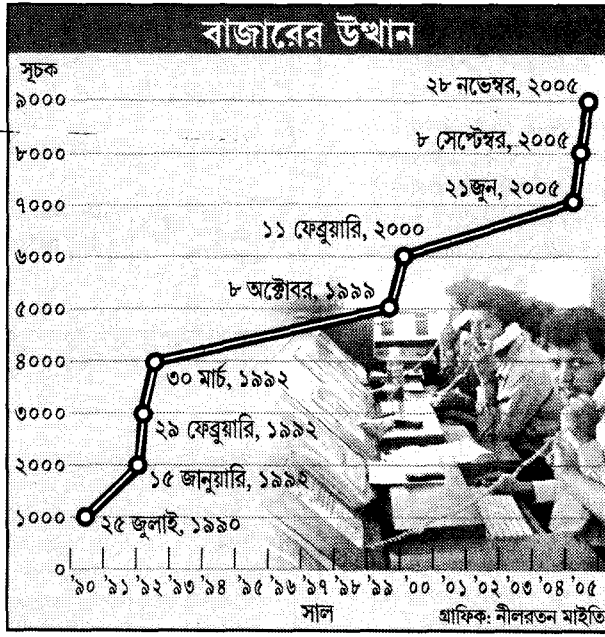
# ন'হাজার ছুঁল সেনসেঙ্ক

নিজস্ব সংবাদদাতা: ৯০০০ অঙ্ক ছুঁয়ে ফেলল সেনসেঙ্ক। এবং এটা সম্ভব হল মাত্র ৫৩ দিনের লেনদেনেই। গত ৮ সেপ্টেম্বর সেনসেঙ্ক ৮০০০ অঙ্ক ছুঁয়েছিল। ওই দিন থেকে থেকে ২৮ নভেম্বর পর্যন্ত এই ৭৯ দিনে লেনদেনে হয়েছে ৫৩ দিন।

তবে ৮ সেপ্টেম্বর এবং ২৮ নভেম্বরের মধ্যে একটাই ফারাক। তা হল, প্রথম দিনে সূচক ৮০০০ অঙ্ক ছোঁয়ার পাশাপাশি শেষ হয়েছিল ৮০০৫ অঙ্কে। আর সোমবার ৯০০০ অঙ্ক ছুঁলেও দিনের শেষে সূচক নেমে আসে ৮৯৯৪.৯৪ অঙ্কে। এটাও অবশ্য একটা রেকর্ড। এর আগে এতটা উঁচুতে সেনসেঙ্ক কখনও শেষ হয়নি। এই দিন সূচক বেড়েছে প্রায় ১০৬ পয়েন্ট।

এই দিন শুরু থেকেই বাজার তেজী ছিল। লেনদেন শুরু হওয়ার সময়েই দেখা যায় সূচক আগের দিনের থেকে ১৬.৬৫ পয়েন্ট উঁচুতে রয়েছে। এর পর থেকেই বাড়তে থাকে শেয়ার দর। এক সময় সূচক আগের দিনের থেকে ১১৬.৬০ অঙ্ক বেড়ে গিয়ে ৯০০৫.৬৩ অঙ্কে ঠেকে। বাজার বন্ধের সময়ে কিছুটা কমে সেনসেঙ্ক এসে দাঁড়ায় ৮৯৯৪.৯৪ অঙ্কে, যা আগের দিনের থেকে ১০৫.৯১ অঙ্ক বেশি।

এই দিন বিদেশের বাজারগুলিও তেজী ছিল। আমেরিকার ডাও জেনস সূচক বেড়েছে ১৫.৫৩ অঙ্ক এবং ন্যাসড্যাক ১৩.০৩। জাপানের সূচক নিক্কেই বেড়েছে ২০২.৬৫ পয়েন্ট।



প্রধানত বিদেশি বিনিয়োগকারী সংস্থাগুলির লগ্নির জেরেই ভারতের শেয়ার বাজার বাড়ছে। পাশাপাশি ভারতীয় আর্থিক সংস্থাগুলিও শেয়ারে বিনিয়োগ বাড়িয়েছে বলে বাজারের সূত্র থেকে জানা গিয়েছে। ভারতের আর্থিক অগ্রগতির যে আভাস পাওয়া গিয়েছে, তাতে শেয়ার বাজারে বিদেশি লগ্নি আরও বাড়বে বলে মনে করছেন বিশেষজ্ঞরা। এর ফলে আগামী দিনে সূচকের এই অগ্রগতি বাজায় থাকবে

বলেও তাঁদের ধারণা। কেবল চলতি মাসেই বিদেশি সংস্থাগুলি ভারতের শেয়ার বাজারে ৩৪৭০ কোটি টাকা বিনিয়োগ করেছে বলে সংবাদসংস্থা পি টি আই জানিয়েছে।

ভারতের শেয়ার বাজারের ভবিষ্যৎ নিয়ে বিশেষজ্ঞরা সকলেই আশাবাদী। তাঁদের মতে, এক দিকে ভারতের আর্থিক উন্নয়ন দ্রুত হারে হচ্ছে। অন্য দিকে আমেরিকা এবং ইউরোপে তা তুলনামূলক ভাবে অনেক

স্তিমিত। কমেছে ইউরোর দাম। ফলে বিদেশি লগ্নি সংস্থাগুলি বিনিয়োগের জন্য খুঁজে বেড়াচ্ছে এশিয়ার বাজার।

এরই জেরে কেবল ভারতের শেয়ার বাজারই নয়, তেজী হয়ে উঠেছে এশিয়ার বিভিন্ন শেয়ার বাজার। ওই সব দেশের মধ্যে আর্থিক অগ্রগতির সম্ভাবনা যেহেতু ভারতেই সব থেকে উজ্জ্বল, তাই বিদেশি লগ্নিকারীরাও এই দেশের বাজারেই আসছেন।

বাজার বিশেষজ্ঞ অজিত দে বলেন, “সেনসেঙ্ক এবং নিফটির অন্তর্ভুক্ত শেয়ারগুলি দর যে হারে দ্রুত বেড়েছে, সেই ভাবে সূচকের বাইরের শেয়ারগুলির দাম বাড়েনি। কিন্তু এ বার ওই সব শেয়ারের দরও দ্রুত বাড়বে বলে আমার ধারণা। কেবল ৯ হাজারই নয়, খুব তাড়াতাড়ি সেনসেঙ্ক ১০,০০০ ছাড়িয়ে যাবে বলে মনে করছেন আইসিআইসিআই সিকিউরিটিজের বিশ্লেষক সি কে নারায়ণন।

টাকা ১৪ মাসে সবচেয়ে নীচে। মুম্বই থেকে পি টি আইয়ের খবর: বিশ্ব জুড়েই ডলারের চাহিদা বাড়ায় টাকা আজ গত ১৪ মাসে সবথেকে নীচে নেমেছে। শেয়ার কিনতে ডলারের চাহিদা বৃদ্ধি এর অন্যতম কারণ বলে বিশেষজ্ঞদের ধারণা। এ দিন এক ডলারের দাম দাঁড়ায় ৪৫.৯৭ টাকা।

এ দিকে গয়নার সোনার দাম এই দিন মুম্বইয়ে ৫০ টাকা বেড়ে রেকর্ড ৭৪৬৫ টাকায় পৌঁছেছে। লন্ডনেও সোনা ১৮ বছরে সর্বোচ্চ অঙ্কে।



# Aiyar's pipedream nears reality

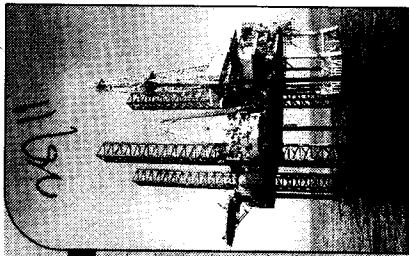
## Asian Crude Producers, Buyers Agree To A Joint Feasibility Study

By Sanjay Dutta/TNN

New Delhi: Mani Shankar Aiyar's idea of an Asian Oil Community will flow into reality through a network of pipelines. These pipelines will bind the destinies of Central Asian and Russian crude producers and four principal Asian buyers for future growth through secure, stable and sustained fuel supply.

The groundwork was laid on Friday when the participants, at the first Round Table of Central and North Asian producers and principal Asian buyers, rallied behind Aiyar's call for a joint study. Hydrocarbon policymakers from Central Asia, Russia, China, Japan, South Korea and Turkey agreed to look for ways to clear new geo-political transit passages for Caspian hydrocarbons to fuel Asian growth.

"Small, deliberate steps in any major network business have far



**A WIN-WIN GRID**

COUNTRY	2010	2015	2020
Afghanistan	0	28	64
Bangladesh	112	95	316
China	1008	1747	2784
India	5863	1038	1672
Japan	1680	2028	2449
Myanmar	184	137	75
Pakistan	670	1113	1736
Thailand	272	474	732
Azerbaijan	2578	1997	1181
Russia	5326	6551	11269

Benefits flowing out of Asian Gas grid (in \$ million per annum)

reaching consequences that have the capacity to transform whole economies," Aiyar pointed out through a presentation, prepared by Ernst & Young for the oil ministry and made to the delegates behind closed doors.

It projected the total length of the Asian Gas Grid to be 22,491 km requiring investments of \$22,491

huria saw an "urgent need to supplement existing supply sources with untapped but plentiful North and Central Asian reserve".

"The combined financial and technological strengths of Asia are second to none. A pan-Asian philosophy steeped in the spirit of co-operation and collaboration is, therefore, the path forward..."

Pointing out that the European Gas Grid emerged in 35 years, the presentation said, "Do not sell your resources to the highest bidder in the short term", and suggested Asia should embark on the project now, as it has an important social role "like creating jobs and spurring trade and industry".

The network criss-crosses across Siberia, Sakhalin and mainland Russia, Japan, South Korea, China, India, Thailand, Myanmar, Bangladesh, India, Pakistan, Iran and Central Asia right up to the Caspian Sea.

## Russia keen on Indo-Iran pipeline

New Delhi: US reservations of engaging with Iran notwithstanding, Russia is keen on participating in the over-\$7 billion Iran-Pakistan-India gas pipeline project and sharing the risks involved in the peace project.

Russian firm Gazprom wants to partner in construction, operation and maintenance of the 2,100-km pipeline that will transport natural gas from the gigantic South Pars field in the Persian Gulf to Pakistan and India.

"Russia and Gazprom are interested and prepared to share risk along the route of the pipeline and we do hope that other stakeholders (in the project) will be benign towards the possibility of sharing risk with Russia and the Russian company," Russian energy minister V Khristenko said on the sidelines of the Asian Oil Ministers Round Table conference. Agencies

THE HINDUSTAN TIMES

28 NOV 2005

# Uzbekistan, Azerbaijan can join pipeline project: India

## Aiyar moots pipeline to transport Caspian oil

Special Correspondent

**NEW DELHI:** India, which is toying with the idea of being a party to the ADB-assisted Turkmenistan-Afghanistan-Pakistan (TAP) gas pipeline, on Saturday mooted a proposal to rope in Azerbaijan and Uzbekistan so as to exploit Caspian Sea reserves.

It also proposed a pipeline from Azerbaijan to the Arabian Sea to transport Caspian oil to the sub-continent, one of the fastest growing consumption centres.

Petroleum and Natural Gas Minister Mani Shanker Aiyar suggested that the TAP pipeline originate in Azerbaijan and end in India during an interaction with Idriz Rzabeyov, head of the Energy Department, Ministry of Energy, Azerbaijan.

Alongside, Mr. Aiyar suggested to the Minister for Foreign Economic Relations, Investment and Trade, Rustam Sodykovich Azimov, that gas from Uzbekistan pass through the TAP pipeline.

India, Mr. Aiyar told newsmen here, decided to attend as observer the TAP pipeline steering committee meeting in January before committing itself to be a party in the project.

### Turkmenistan's reserves

The Minister had enquired from his Turkmenistan counterpart about his country's total gas reserves and the availability of fuel feedstock for movement through the TAP pipeline.

"The gas reserve figure conveyed to me was very, very high, much beyond what is being talked about. I cannot tell you because of the confidentiality clause."

Turkmenistan gave the assurance that it would have adequate gas reserves for feeding the TAP pipeline



*Mani Shanker Aiyar*

even after meeting its commitments to Russia, Mr. Aiyar said.

At bilateral meetings, public sector companies showed a keen interest in oil and gas exploration and in participating in the downstream refining and petrochemical business in these three countries.

The Indian Oil Corporation expressed keenness in downstream oil refining, petrochemical and LNG collaboration with Uzbekistan. ONGC Videsh Ltd. (OVL) showed interest in acquiring a stake in Turkmenistan's state-owned oil and gas company.

### Seminar on pipeline security

Mr. Aiyar proposed to host a seminar of the BTC (Baku-Tbilisi-Ceyhan) oil pipeline, namely, Azerbaijan, Georgia and Turkey, during April-June in 2006 to get a brief on pipeline safety and security. These measures could, in turn, become a reference point for the TAP-India and Iran-Pakistan-India gas pipelines.

# Government plans 1% health cess

51-9  
23/11

By Rupali Mukherjee/TNN

**New Delhi:** After the 2% education cess, taxpayers may have to shell out more. There is a proposal to impose a 1% surcharge on all Central direct taxes, including income-tax, excise, customs and corporate tax, to fund its health-care activities and run a National Health Insurance Scheme for the poor.

The proposal has been prepared by the chemicals and fertiliser ministry which also has the charge of drugs. Apparently, it has reached minister Ram Vilas Paswan, who last month recovered from a heart ailment and immediately got tied up with the Bihar election.

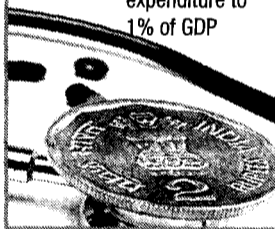
The proposal is in consonance with the UPA government's common minimum programme (CMP) which states that the public spending on health would be raised to 2-3% of the GDP over the next five years and a national scheme for health insurance for poor families will be introduced. At present, government spending on

health is around 0.9% of GDP. With the proposed cess, that share would become around 1% of GDP.

Official sources said the health cess was expected to mop up over Rs 3,000 crore. Besides running the health

## CESS POOL

- Cess to fund healthcare activities; run National Health Insurance Scheme for poor
- Cess expected to mop up Rs 3,000 crore, raise health expenditure to 1% of GDP



insurance scheme for the poor, the proceeds from the cess would be used to subsidise the cost of cancer drugs and increase spending on anti-AIDS drugs.

Once the proposal is cleared by Paswan, it will be submitted to the finance ministry, sources said. "We

want to increase the spending on health by way of a cess. If not, we will ask for a higher allocation from the government," they said, adding, "Through an increased spending on health, the government will be able to increase its funding on accessibility and affordability on critical drugs for the poor."

The government is in talks with insurance firms to fund the National Health Insurance Scheme that is targeted at below poverty line families (which comprises 26% of the population). Under the insurance scheme, the average cost of a family's spending on health will be worked out, of which the government will fund 90%. The balance will be met by the beneficiary.

The final touches are being given to the scheme, sources said. "We hope to wrap it up soon," they said. As per the proposal, the individual will have to visit a government-designated hospital in case of illness, and medicines will be available free only against a prescription.

# Left open to non-navratna selloff

Approval possible, case by case

OUR SPECIAL CORRESPONDENT

New Delhi, Nov. 21: The Left parties today formally agreed to "consider" government proposals to sell stake in profit-making non-navratna companies.

"We have identified some such PSUs and shared information with the Left parties. They have agreed to consider the proposals," finance minister P. Chidambaram said at the end of a two-hour meeting of the Left-United Progressive Alliance coordination committee.

Left sources present at the meeting, however, claimed that CPM leaders have already broadly agreed to the government's proposal in private. But the Left would still go through the list the government is giving it and study each divestment plan in detail before officially agreeing to it.

"We may strike off some of these companies if we feel that they do not serve public interest," said coordination committee member Abani Roy of the RSP. He said the Left would ensure that the sum total of government investment didn't fall below 74 per cent in any of the companies.

Chidambaram said the Left parties had agreed to consider the government's proposals to divest "small portions of equity, subject to certain guiding principles, in se-



NOT A BAD DAY IN OFFICE: UPA chairperson Sonia Gandhi at the Jawaharlal Nehru Memorial Lecture on 'India in Asian Renaissance' in New Delhi on Monday. (PTI)

lected profit-making non-navratna public sector enterprises in order to raise resources for the national investment fund". He said the Left would also suggest other ways of mobilising resources.

Last week, Chidambaram had said the government was looking at selling small chunks of stake in "non-navratna" PSUs.

Among companies likely to be taken up for minority

stake sale are Shipping Corporation of India, Engineers India, National Fertilisers, Rashtriya Chemicals and Fertilisers, Hudco, Balmer Lawrie and National Aluminium Company. Share sale in Maruti Udyog has already been cleared by both the cabinet and the Left.

The government had earlier agreed, under pressure from its Left allies, to drop plans to sell stake in navratna

companies. The "navratnas" or "nine jewels" are actually eight in number and include blue-chip firms like Bhel, ONGC, SAIL and NTPC.

Chidambaram is believed to have assured the Left that no PSU from the key sectors — energy, steel or mineral — will be sold off. The government plans to sell stake in some 12 PSUs, of which six will be shortlisted for divestment this financial year.

In the first phase, the Centre is expected to offer shares of listed PSUs. In the second, shares in unlisted PSUs will be brought to the market as IPOs.

Top finance ministry officials said the government aimed to eventually list on bourses all currently unlisted, profitable PSUs, each with a net worth of more than Rs 200 crore, as well as to sell minority shareholding in listed profitable PSUs.

PF players wait for Singh to step in

OUR CORRESPONDENT

New Delhi, Nov. 21: The central board of trustees of the Employees' Provident Fund Organisation today failed to arrive at a decision on the rate of interest to be paid to its subscribers for the current financial year.

The board, chaired by labour minister K. Chandrasekhar Rao, has decided to meet again on December 7. The fund does not have the resources to sustain the interest rate at the current 9.5 per cent but trade unions are insisting that the payout should be left untouched.

Rao indicated that the board is also examining the option of investing up to 5 per cent of its corpus in mutual funds and equities.

"The finance ministry has permitted investments in mutual funds and equities. An expert committee is examining the options of investment and the report is expected shortly," Rao said after a meeting that lasted almost six hours.

The labour minister said he would brief the Prime Minister. "I will definitely apprise the Prime minister and it is my duty as a colleague to do so," he said.

The trade unions, which represent the subscribers, have asked the labour minister to impress upon the Prime Minister the need to increase the rate of interest on the special deposit scheme (SDS) — the government facility in which the provident fund parks over 65 per cent of its cash.

"We request you to kindly take up the issue of enhancing the rate of interest on the SDS, as well as on government bonds, with the Prime Minister," a joint representation by nine big trade unions asked the minister.

The finance ministry has so far resisted attempts to raise the interest rate paid on the special deposit scheme accounts. The government now pays the provident fund 8 per cent, 1.5 percentage points less than what is passed on to subscribers.

The labour minister was non-committal about a revision in the rate of interest for provident fund subscribers. "It is not a question of hope, it is a question of accounts," Rao said, asked whether he was hopeful that the 9.5 per cent interest rate could be maintained.

## Vienna music after Tehran tango

OUR SPECIAL CORRESPONDENT

New Delhi, Nov. 21: The ruling alliance and the Left were able to present a united front on Iran today after the government pledged to try and keep the prickly issue within the International Atomic Energy Agency (IAEA).

Hours after the Centre made the promise, diplomats in Vienna said the West has suspended its bid to refer Iran to the Security Council for sanctions.

Russia is now expected to pursue a compromise plan, which has been backed by India in one of the first decisions Prime Minister Manmohan Singh took after he assumed charge of the exter-

nal affairs portfolio when Natwar Singh resigned.

The confidence with which the Centre headed to the meeting with the Left this morning and the late-evening announcement in Vienna suggest that the government was aware that a breakthrough was imminent.

"The government has expressed its intention to make all the necessary diplomatic efforts to keep the Iran issue within the confines of the IAEA. The Left holds the same view," CPM politburo member Sitaram Yechury had told reporters after a United Progressive Alliance-Left coordination committee meeting.

The patch-up came three days before a crucial IAEA meeting in Vienna, which

was scheduled to decide whether Tehran should be referred to the Security Council. The referral is now expected to be shelved.

India had voted against Iran at the previous IAEA meeting in September, backing a US-sponsored resolution that envisaged sending the matter to the Security Council at some unspecified date. A furious Left had launched a month-long campaign against the Centre, mounting pressure on it to change its stand at the November 24 meeting.

After today's discussions, finance minister P. Chidambaram said: "(The) government informed the Left parties of the progress made through diplomatic efforts. It was noted that the govern-

ment's intention was to ensure that the matter remains within the jurisdiction of the IAEA."

The coordination committee meeting, chaired by the Prime Minister and held two days before Parliament's winter session begins, was a picture of camaraderie and cooperation though it tackled several thorny issues.

Iran apart, the agenda included the controversial pension bill and the divestment of profit-making, non-navratna PSUs — both of which had caused disagreement between the government and its key ally.

The Left, however, was conciliatory on all of them today. Both sides were keen to avoid a confrontation on the eve of the winter session,

where the BJP will look to nail the government on the Volcker report.

The Left expects trouble also on Bihar. If Laloo Prasad Yadav loses the election, the Opposition National Democratic Alliance will get a boost.

Add to that the pending Supreme Court judgment on the dissolution of the Bihar Assembly, and the odds are stacked against the Centre.

The Left, which is supporting the government to keep the BJP out, does not want to make the situation messier for the ruling alliance. Its leaders came out of the meeting declaring themselves satisfied with the Centre's efforts on several fronts, including the Iraq oil-for-food probe and Iran.

# সংস্কারের পথে বামেরা বাধা নয়, বললেন চিদম্বরম

তিরুঅনন্তপুরম, ১৪ নভেম্বর: আর্থিক সংস্কারের ব্যাপারে বাম দলগুলির ধা-  
ধারণা কেন্দ্রে কংগ্রেস জোট সরকারের চলার পথে আদৌ কোনও বাধা সৃষ্টি করবে  
না। বরং তাঁদের মতকে উপযুক্ত গুরুত্ব দিয়েই সব সিদ্ধান্ত নেওয়া হয়েছে  
বলে আজ সাফ জানিয়ে দিয়েছেন অর্থমন্ত্রী পি চিদম্বরম। সাধারণ ভাবে  
বামদের প্রশংসাই নয়, এ প্রসঙ্গে পশ্চিমবঙ্গ সরকারেরও গুণগান গেয়েছেন  
কেন্দ্রীয় অর্থমন্ত্রী।

চিদম্বরম বলেন, পশ্চিমবঙ্গ সরকারের নীতি এগিয়ে চলার জন্য অনেক বেশি  
উপযুক্ত। রাজ্য সরকারের এই উন্নত চিন্তাধারাই পশ্চিমবঙ্গের প্রতি  
বিনিয়োগকারীদের আকৃষ্ট করছে। তবে পাশাপাশি চিদম্বরম এ কথা জানাতে  
ভোলেননি, কংগ্রেসের দেওয়া উন্নয়নের 'মডেল' গ্রহণ করার ফলেই পশ্চিমবঙ্গে  
লগ্নির 'জোয়ার' এসেছে।

কংগ্রেসের মুখপত্র 'বীক্ষণম' দৈনিকটির নতুন ভাবে প্রকাশ শুরু করে অর্থমন্ত্রী  
আজ এখানে বলেন, উৎপাদনশীল এবং লাভজনক প্রকল্পে লগ্নি করলে তবেই  
উন্নয়ন, কর্মসংস্থান এবং আয় বাড়ানো সম্ভব। পাশাপাশি, এমন এক পরিবেশ তৈরি  
করতে হবে, যাতে লগ্নিকারী নিশ্চিন্ত থাকেন যে, তাঁর অর্থ নিরাপদেই আছে। এ  
ব্যাপারে কেন্দ্রের প্রসঙ্গ টেনে এনে চিদম্বরম বলেন, সেখানকার কিছু নীতির ফলে  
এমন এক পরিবেশ তৈরি হয়েছে, যা লগ্নি টানার উপযোগী নয়। বিনিয়োগ আনার  
ক্ষেত্রে বিরোধীপক্ষেরও সরকারের পাশে থাকা উচিত। রাজনীতিকে অর্থনীতি  
থেকে দূরে সরিয়ে রাখার পরামর্শও দেন তিনি। চিনের উদাহরণ টেনে এনে  
তিনি বলেন, সমাজতন্ত্রের মডেল ব্যর্থ হওয়ার পরে চিনকেও উন্নয়নের  
নতুন সংজ্ঞা খুঁজতে হয়েছে।

বাম দলগুলির কথা বলতে গিয়ে চিদম্বরমের মন্তব্য, "ওঁদের নিজস্ব কিছু  
মতবাদ রয়েছে এবং আমরা সেগুলিকে শ্রদ্ধা করি। ঠিক তেমনই কংগ্রেসেরও  
উন্নয়নের একটি নিজস্ব মডেল আছে, যা বামদেরও উচিত মেনে নেওয়া।" বেশ  
কিছু ব্যাপারে বামেরা যে এখন ইউ পি এ সরকারের পথেরই পথিক হচ্ছেন, সে  
কথা উল্লেখ করে চিদম্বরম বলেন, "আমরা তাঁদের সুবিধে সুবিধে রাজি  
করিয়েছি। তবে যে কোনও সিদ্ধান্তই নেওয়া হয়েছে আলোচনার পরে।"

অন্য দিকে উন্নয়নের কংগ্রেস মডেলের ব্যাখ্যা দিতে গিয়েও এই দিন চিদম্বরম  
বলেন, বাজারের উপরেই অর্থনীতির নিয়ন্ত্রণ ছেড়ে দেওয়ার পক্ষপাতী তাঁরা।  
তবে, এই আর্থিক সংস্কারের সুফল সাধারণ মানুষের কাছে পৌঁছে দেওয়ার দায়িত্ব  
সংশ্লিষ্ট রাজ্য সরকারের। এই প্রসঙ্গেই পশ্চিমবঙ্গের বামফ্রন্ট সরকারের নীতির  
প্রশংসা করেন কেন্দ্রীয় অর্থমন্ত্রী।

— পি টি আই

# TERC favours more trade with neighbours

NEW DELHI, Oct. 26. — The Prime Minister, Dr Manmohan Singh, has advocated addressing the huge trade deficit with neighbouring countries in a bid to increase trade in the region. At a meeting of the Trade and Economic Committee Relations (TERC) chaired by him, Dr Singh underlined the need for India to be more pro-active in increasing economic interaction with all neighbours, the PM's media advisor, Mr Sanjaya Baru, today said.

"Our neighbours must acquire a greater stake in our economic growth by benefiting from it," Dr Singh told the TERC, which included the ministers of finance, commerce and industry and external affairs, apart from the Planning Commission deputy chairman. "India must be willing to import more from our neighbours, especially the less developed economies."

In pursuit of this objective, the TERC, set up in May this year and having held seven meetings, has approved steps to enable increased imports from Pakistan, Bangladesh and Myanmar to rectify the existing imbalances and distortions in trade. The committee also called for investment in trade-related infrastructure to facilitate imports from neighbours.

Addressing specific demands from Pakistan and Bangladesh, Dr Singh said the situation arising out of India's huge trade surplus with almost all its neighbours must be addressed. "India must have a more open economy with responsibility towards its neighbours," he told the TERC meeting.

Bangladesh too has not addressed

issues such as transit rights to Indian vehicles, and the energy sector, but these must not come in the way of improving trade, the prime minister felt. A decision has been taken to allow Food Corporation of India (FCI) to source jute bags from Bangladesh; provide market access to its textile goods, reduce the number of items on the sensitive list and set up food testing facilities on the border.

Pakistan's demand to export molasses in wagons as against barrels at present, as well as facilitate textile and garment exports and address the food products regulation, was also taken up by the TERC.

With the Saarc summit slated next month in Dhaka, the prime minister instructed the commerce and industry minister, Mr Kamal Nath, and finance minister, Mr P Chidambaram, to address whatever last minute issues were there to ensure the Safta (South Asia Free Trade Area) was on track, Mr Baru said.

With India already having entered into a free trade agreement (FTA) with Sri Lanka and a comprehensive economic cooperation agreement (CECA) with Singapore, the TERC also approved early completion of an India-Asean FTA, the South Asia FTA and an India-GCC FTA.

The meeting also discussed proposals for an India-Korea FTA, an India-Israel FTA and an India-Mauritius CECFA. The TERC also approved measures that would encourage higher levels of two-way trade between India and Saarc and BIM-STEC member countries.

He said the sticky issue of Rules of Origin must be taken up in all the FTA negotiations so that the Safta, Asean FTA and GCC FTA are all in place.

# ILO wants textile reforms now

Rajeev Jayaswal

NEW DELHI 25 OCTOBER

**I**NTERNATIONAL Labour Organisation (ILO) has warned India that if it does not accelerate reforms, the benefits of textile quota dismantling would remain confined to "a limited number of sub-contractors."

Stating that "domestic regulations" are restrictive for exports growth, it points at the labour market regulations that apply to firms with more than 100 employees favour small companies and lead to fragmentation of the industry.

"India might benefit less than expected from the new (global textile trade) regime, if appropriate measures are not taken to improve its competitiveness," the report prepared by ILO said. The report has been tabled in the ongoing

three-day Tripartite meeting on Promoting Fair Globalisation in Textiles & Clothing in Post-MFA Environment' at Geneva. The meeting will conclude on October 26. The report expressed concerns over falling exports of ready-made garments. Overall textile and clothing exports of India dropped by 3.4% to 13.03 billion in the first three months of 2005.

"These first results are particularly unwelcome, given the widespread assumption in India that local industry would benefit from the free textile & clothing trade regime," it said. "They also demonstrate that the benefits of the new regime might accrue in only a limited number of subcontractors if the government does not accelerate the pace of reforms requested by the business community and if domestic manufacturers do not take steps to improve their com-

petitiveness," the report added.

While India recorded a 28% growth in textile exports during January-March 2005, the ready-made garment exports fell by 24% in the first three months of the post-quota regime. Garment exports declined to \$1.18 billion from \$1.56 billion in the corresponding period previous year. Overall textile & clothing exports also dropped by 3.4% to \$13.03 billion in the first three months of 2005.

During the first two months of 2005, a comparative performance analysis of India and China also indicated mixed performance of India within particular garment item categories where both countries have strong comparative advantage. India has lost market share against China in categories 347 (men's cotton trousers), and 348 (women's cotton trousers).

# Defence funding

## PM sets a standard

The Prime Minister's linking an eight per cent growth rate to a budgetary provision of three per cent of GDP for defence would be pure symphony to the military establishment. True Dr Manmohan Singh made no formal commitment, and he was giving no assurance on the floor of Parliament, but the Combined Commanders' Conference is not the venue for loud thinking so the point he made could serve as a pointer to what the government is contemplating. Particularly since his track record would suggest that - politics apart — he favours functioning in accordance with clearly defined parameters. It is inevitable that many will be pulling out pocket calculators and trying to predict what the finance minister will be presenting in the Lok Sabha some four months hence, but that would be a myopic approach. Even if that does suggest a considerable hike in the defence outlay. The gilded dimension to the PM's observation extends beyond the figure of three per cent (though that level of allocation is what has often been advocated by the specialists), it is the principle, the benchmark that is of lasting significance.

The bane of India's defence budgeting has been inconsistency and uncertainty, which has taken a distinct toll on planning because in the absence of assured finances no comprehensive, long-term blueprints could be prepared. Particularly in regard to acquisitions aimed at modernisation or re-equipment. A cyclical pattern of high and low spending had set in, the "highs" almost always corresponding with impending obsolescence of critical weaponry. It led to crash purchases, an inability to procure quality hardware at the optimum price, with the spin-off being kickbacks, or at least allegations of them. Should we establish a three per cent of GDP norm our defence preparedness could be put on a firm, forward-looking track. There would, however, be a series of other steps required in the financial sphere to ensure the maximum return from the budgetary "investment". Procedural de-bottlenecking is an area crying out for attention and the distance between South and North Block has to be bridged. When Dr Manmohan Singh was finance minister the coffers did not permit him to give defence what it deserved, now he is well posited to provide what it deserves.

THE STATESMAN



# Left open to divestment of non-navratna PSUs: Karat

New Delhi: Having successfully forced the Centre to shelve its BHEL divestment plans, CPI(M) on Saturday said it was open to discussing disinvestment



P Karat

in non-navratna companies.

"We are opposed to the disinvestment of navratna companies but shares can be sold in other companies to raise resources for the social sector. We can discuss the sale of shares in other PSUs," party general secretary Prakash Karat said, adding that he was also open to the sale of unviable PSUs. "We are asking the government to do what we are doing in West Bengal. There may be some unviable companies that can be closed. The national common minimum programme says that all privatisations can be discussed on a case-to-case basis. Some resources can be raised from that too," Karat said.

Of the 240-odd central PSUs, only nine fall under navratna category. Among them, 88 are loss-making while the rest are making profits. Stating that his party was in favour of public sector reforms so that they could function professionally, he added, "We do not want PSUs to be run as government departments."

Karat made it clear that Left parties will oppose the opening up of retail sector to FDI when they meet UPA leaders at a coordination committee meeting to be held on October 27. The Left will also raise the issue of mopping up of additional resources for realising promises for the social sector made in the national common minimum programme. It will be the first time that the Left parties will be attending the coordination committee meetings after it began its boycott over BHEL divestment. Agencies

# World Bank, CII to assess India's investment climate

**PRESS Trust of India**  
New Delhi, October 9

THE WORLD Bank has teamed up with Confederation of Indian Industry CII to assess the investment climate across the country and provide inputs to the Centre and state governments for improving economic growth.

"Investment climate matters. Differences in investment climate have significantly explained variations in competitiveness, economic growth and prosperity across countries and regions," CII said in a statement.

"Productivity and performance gaps between Indian industry and its international rivals have a great deal to do with investment climate," it said adding states with a better climate for investors has higher productivity, per capita income and economic growth.

The assessment will provide policy inputs in an analytical framework to help states and the Centre improve investment climate, it said.

"A better investment climate provides an environment conducive for a vibrant private sector that invests, creates jobs and increase productivity, which is essential to overall economic growth," CII said.

This will be the third consecutive time the World Bank and CII would jointly conduct an assessment of the investment scenario in India. Earlier, the two had conducted similar surveys in 1999-2000 and 2002-03.

The assessment will be carried out at 61 industrial centres in 16 states this year.

The survey will cover about 3,000 firms in the manufacturing and services sectors, including those in telecom and media. The selection will be

on the basis of their contribution to the industrial GDP of India. The team has planned to revisit 39 industrial centres, which were covered during the 2002-03 assessment for tracking changes in investment climate.

The states to be covered under the current assessment are Andhra Pradesh, Bihar, Delhi, Gujarat, Haryana, Jharkand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.

During the assessment, firm-level surveys will be conducted to identify external factors that affect a firm's operations and hence its international competitiveness.

In the past, both the assessments were well received by governments at the state and central levels and the problems were addressed in many states, CII said.

# Bhel stake sale put on hold

NEW DELHI, Oct. 6. — The Prime Minister, Dr Manmohan Singh, today informed the UPA chairperson, Mrs Sonia Gandhi, about the government decision to put on hold off-loading of 10 per cent Bhel shares. This has cleared the decks for the return of Left parties to the Left-UPA Coordination Committee meetings.

Dr Singh has written to both the UPA chairperson and the Left parties, who extend support to the UPA government from outside, to inform them about the decision. Left parties will meet soon to decide on rejoining the Coordination Committee from where they had withdrawn when the Centre first made public its decision to sell off the Bhel stakes.

The CPI-M general secretary, Mr Prakash Karat, said at a seminar in Mumbai that he had received the letter from Mrs Gandhi and that the Left parties would discuss it. "The letter has been placed on my table and I will discuss the matter in the meeting of Left parties and take a stand," he said. Reacting to reports about Dr Singh's letter to Mrs Sonia Gandhi, the CPI national secretary, Mr D Raja, said: "The Left parties will soon meet to take a decision on the formal response of the UPA chairperson to our demand."

The Left parties had termed the government decision to disinvest the



One step forward, two steps back?

Bhel shares as the first major violation of the Common Minimum Programme. They had subsequently decided to boycott the Coordination Committee till the government rolled back its decision. Mr Prakash Karat had recently indicated a possible climbdown by the government.

The Left parties had been insisting that the UPA chairperson send them a formal communication informing them about the government decision before they could end their boycott and return to the Coordination Committee meetings. Today, Mrs Sonia Gandhi appealed to the Left leaders to rejoin the UPA's Coordination Committee meetings.

Congress spokesperson Mrs Ambika Soni rejected suggestions that the government had taken the decision under pressure.

# Sonia throws a spanner in Posco works

## PMO's blessings not enough

SOUMYAJIT Pattnaik  
Bhubaneswar, October 2

9-10 APR  
HR-1  
28/10

THE SONIA Gandhi-led National Advisory Council is not impressed by the promise of an FDI deal worth \$12 billion, the biggest ever for India. Even the PMO's tacit backing for it is not enough.

The NAC has certain questions about the big-ticket steel deal being negotiated by the Orissa government and South Korean company Posco. The formalities had apparently been wrapped up with all doubts and objections settled.

Or so the Navin Patnaik government thought. Until it got a letter each from the ministries of steel and mines.

The letter from the Ministry of Steel — addressed to chief secretary Suba Pani — goes like this: "The NAC has sent a note on 'Posco: In whose benefit?' to this ministry with a request to furnish comments on the issues mentioned in it. It is requested that comments of the Government of Orissa on the issues mentioned in the note may be furnished to the ministry at the earliest for onward submission of the same to the NAC."

So what does this mean for the deal? It's wide open. The Orissa government will recommend the mining lease for Posco to the ministry of mines. The power to grant mines to Posco ultimately resides with the ministry and if the latter does not agree to grant Posco a mining lease for 600 million tones of ore, the project may not take off.

The NAC's note observes:

■ The Orissa government has not placed certain facts properly before the Government of India, which has "blessed" this project. "It is not the quantum of investment that matters; it is the interest of the state and the country which comes first."

■ Before the Koreans came to India, they explored possibilities in Brazil and China. Both countries refused to oblige them to have captive iron ore lease saying their "mineral resources are a national asset and they could not lease these out to a foreign company... The company admitted this".

■ Posco has got a commitment from the state to export up to 30 per cent of the 600-million-tonne reserve. "What is the sanctity of an arbitrary figure of 30 per cent?"

■ Orissa has entered into 37 MoUs with domestic steel producers whose combined requirement could be around 2,500 million tones of iron ore reserve. "How far is it justified to sign an MoU with a foreign company for another 600 million tones without proper scientific estimation?"

■ "Acquisition of 6,000 acres at Paradeep has to be properly explained."

Bhubaneswar considers the letter a volte-face. It cites a letter by Prashant Mehta, joint secretary in the ministry of mines, to Orissa's steel and mines secretary Bhaskar Chatterjee. Mehta's letter says: "Although the Government of India has perhaps agreed to the project in principle, it is advisable that the ministries of mines, steel and finance are asked to look into the above issues at this stage."

**Aug 2004** Posco gives details to Orissa CM Navin Pattnaik

**Apr 2005** First report by Orissa govt team for NAC's office

**June 2005** Orissa govt and Posco sign a deal worth \$12 billion

**GDP GROWTH** ■ 'Agriculture down, more investments needed means more reforms'

# 'Growth 8.1%, could be better'

EXPRESS NEWS SERVICE  
NEW DELHI, SEPTEMBER 30

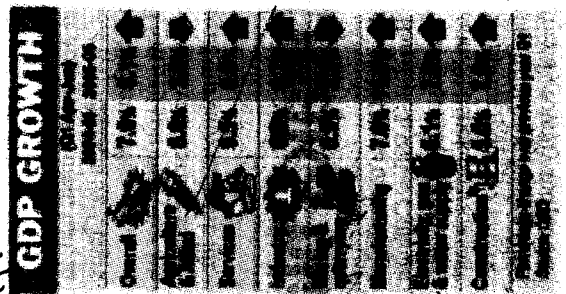
**D**ESPITE a 1.8 per cent fall in the growth rate of the agricultural sector, the Indian economy still grew by 8.1 per cent during first quarter of this fiscal as compared to a growth of 7.6 per cent during the same period last year.

According to data released by the Central Statistical Organisation today, during the first quarter of this fiscal (April-June), agricultural growth was 2 per cent while for the same period last year, the growth was 3.8 per cent.



Reason to smile

But a break-up of the first quarter data shows that the 8.1 per cent growth was possible only on account of an increase in the growth rate of industry and the services sectors, which for the first quar-



ter were 9.7 per cent and 9.8 per cent respectively. By comparison, during the same period last year, the growth in industry was 6.8 per cent while that of services was 9.5 per cent.

With these statistics in hand, it was therefore not surprising that finance minister P Chidambaram stated that there was "good" and "not-so good" news and that "by and large we are happy with these results...we can and ought to do better".

Chidambaram made it clear that it was important to maintain this growth in industry to compensate for the low

growth rate in agriculture which has a 23 per cent share in the gross domestic product (GDP).

On services, where growth was already a high 9.8 per cent, the finance minister said that the aim should be to ensure double-digit growth through improving efficiency in all private and public sector service industries like BSNL, MTNL, aviation etc and ensuring "that sand is not thrown into the wheels" of this sector.

He said that more investments (domestic and FDI) were needed in mining, steel, power, shipping, aviation, construction etc.

# Mixed response to strike call against VAT

By Our Special Correspondent

NEW DELHI, MARCH 30. The three-day countrywide strike called by trade associations against the implementation of the new Value Added Tax (VAT) regime from April 1 evoked a "mixed" response on the first day today. While the wholesale and other major commodity markets remained closed, it was business as usual for the local retail shopkeepers in most of the major cities.

In the four major metros, for instance, despite the joint strike call by the apex trade associations such as the Confederation of All-India Traders (CAIT), the Bharat Udyog Vyapar Mandal and the Akhil Bharatiya Vyapar Pratinidhi Mandal, only the wholesale commodity and bullion markets downed shutters. The retail markets largely remained unaffected. In the northern region, barring Jammu & Kashmir, groceries, provision stores, bakeries and chemists, in particular, had a normal day of business. However, petrol pumps throughout Delhi (except over a dozen company-owned vends) and other adjoining States remained closed (only for a day) in protest against the proposed hike in the price of diesel as a fall-out of VAT implementation. The LPG dealers, it is learnt, may also be joining the strike for a day tomorrow.

## 'Open for talks'

The West Bengal Finance Minister and Chairman of the Empowered Committee on VAT, Asim Dasgupta, sought to keep the channels open for further negotiations with the trade associations. Asking them to call off the strike, he said the State Government was "open to further discussions".

Speaking to newsmen in Kolkata, Mr. Dasgupta reiterated that while foodgrains, vegetables and sweets were outside the purview of VAT, medicines too, would be liable for tax at a very low rate. Any post-VAT rise

in the prices of essential commodities was also unlikely, he said. As of now, Finance Ministers of 21 States have given their commitment to Mr. Dasgupta to implement the new tax regime from April 1. The number would have been more, but for the five BJP-ruled States — Gujarat, Rajasthan, Madhya Pradesh, Chhattisgarh and Jharkhand — backing out at the last minute.

Apart from these, Uttar Pradesh and Tamil Nadu had also decided earlier to stay out of VAT for the time being. Uttar Pradesh, for one, has made it clear that the new tax regime would be implemented only if the traders in the State gave their consent.

Interestingly, the traders' strike today, according to reports, was largely successful only in Maharashtra, Jharkhand and Jammu & Kashmir. It was partial in Assam, Orissa and Punjab while the response was mixed in States such as Delhi, Uttar Pradesh, Bihar, West Bengal, Andhra Pradesh and Kerala. In Karnataka and Tripura, the traders are set to go on strike tomorrow.

With the exception of Jharkhand, the other four BJP-ruled States remained largely unaffected by the strike call, mainly because VAT is not an issue in these States as yet. Traders in States such as Tamil Nadu and Meghalaya have decided to stay out of the agitation. The situation is similar in Haryana, though for a different reason, in that VAT is already functional in that State and trading activity is going on smoothly.

The CAIT, meanwhile, has claimed that traders affiliated to over 5,000 federations and chambers throughout the country observed a bandh against the implementation of VAT and the levy of service tax of goods transport on the trading community. In this regard, the traders' confederation has sought an appointment with the President to present a petition to him.



**NAY TO VAT:** Traders protesting against the proposed implementation of VAT from April 1 by burning an effigy in Amritsar on Wednesday. — PTI

THE HINDU

31 MAR 2005

## অতএব ধর্মঘট ৪

এপ্রিল হইতে ড্যান্স অ্যাডভেড ট্যাঙ্ক বা যুক্তমূল্য কর আদা করা লইয়া দেশব্যাপী যে মতান্তর এবং প্রতিবাদ চলিতেছে পশ্চিমবঙ্গ স্বভাবতই তাহার প্রথম সারিতে রহিয়াছে ব্যবসায়ীদের বক্তব্য, এই কর বলবৎ হইলে বাণিজ্যের প্রতি ধাপের হিসাব রক্ষার আড়নায় হিসাব-পরীক্ষকের অত্যাচারে ক্ষু ও মাঝারি ব্যবসায়ীদের ব্যবসা গুটাইয়া ফেলা ব্যতীত উপায়ান্ত থাকিবে না। তদুপরি নিত্যপ্রয়োজনীয় সামগ্রীর মূল্য ন্যূনতম পঁচিশতাংশ বৃদ্ধি পাইবে। সুতরাং, এমন 'জনস্বার্থ-বিরোধী' কর রো করা তাঁহাদের অবশ্য কর্তব্য। তাই ব্যবসায়ীরা আজ হইতে বাহান্ত ঘন্টার ব্যবসা ধর্মঘট ডাকিয়াছেন। অনুমান করা চলে, এ রাজ্যে এ ধর্মঘট কার্যত বাংলা বনধ-এর আকার ধারণ করিবে। ইতিমধ্যে নিত্যপ্রয়োজনীয় নানা দ্রব্যের মূল্য বৃদ্ধি পাইয়াছে, সাধারণ গৃহ খাদ্য আহরণে মরিয়া হইয়া অধিকতর মূল্যেই বাজার করিয়াছেন যদি ধর্মঘটটি প্রকৃতপক্ষে বাহান্তর ঘন্টা স্থায়ী হয়, রাজ্যবাসী দুর্যোগ বাড়িবেই। অভিজ্ঞতা হইতে বলা চলে, সমগ্র দেশ জুড়ি কোনও ধর্মঘট বা বনধ আত্মন করা হইলেও তাহা সর্বাধিক সফল হয় এই রাজ্যে। এ বারও নিশ্চয়ই নিয়মের ব্যতিক্রম হইবে না।

যুক্তমূল্য করের পক্ষে একাধিক যুক্তি আছে। প্রথমত, এক পশ্যের উপর একাধিক বার কর আদায় করার যে প্রবণতা রহিয়াছে এই কর কার্যকর হইলে তাহা অনেকাংশেই কমিবে। কর ফাঁদি দিবার প্রবণতাও অন্তত তদ্ব্যগত ভাবে রোধ করা সম্ভব হইবে আবার, এই করটিকে সর্বগুণসম্পন্ন বলিয়া মনে করিবার কোন কারণ নাই। পশ্চিমবঙ্গের বামফ্রন্ট সরকার রাজস্ব আদায় এবং ব্যয়ের অধিকারের যে যুক্তরাষ্ট্রীয় পরিকাঠামোর প্রধান প্রবক্তা, এ কর আদর্শগত ভাবে তাহার পরিপন্থী। বিক্রয় করের উপর রাজ্যের যে পরিমাণ অধিকার থাকে, যুক্তমূল্য করে তাহা কোনও মতেই থাকিবে না। কিন্তু ইহা বিতর্কের বিষয় হইতে পারে, ধর্মঘটের যুক্তি হইতে পারে না। ব্যবসায়ীরা এই যুক্তিতে ধর্মঘট ডাকেনও নাই। তাঁহাদের আশঙ্কা, এই করের ফলে তাঁহাদের ব্যবসা ক্ষতিগ্রস্ত হইবে। কিন্তু শুধুমাত্র একটি আশঙ্কার উপর নির্ভর করিয়া তিন দিন ব্যাপী ধর্মঘট ডাকিয়া রাজ্যকে কার্যত অচল করিয়া দেওয়ার সিদ্ধান্ত শুধুমাত্র অহেতুক নহে, হঠকারী এবং অপরিণামদর্শী। ব্যবসায়ী সংগঠনের নিজেরই অনুমান, এই তিন দিনে সমগ্র দেশে মোট আড়াই হাজার কোটি টাকার ক্ষতি হইবে। ব্যবসায়ী সংগঠনের এ হেন দায়িত্বজ্ঞানহীন আচরণ কোনও মতেই সমর্থনযোগ্য নহে। ভারতের গণতান্ত্রিক পরিকাঠামোয় প্রত্যেক নাগরিকেরই ধর্মঘটের অধিকার আছে। কিন্তু অধিকারের সঙ্গে যে দায়িত্ববোধ থাকা প্রয়োজন, সে কথাটি প্রায়শই বিস্মৃত হয়। বিবিধ সংগঠন বেমালুম ধর্মঘটে নামিয়া পড়ে। আর এখানেই বাংলার মাটি, বাংলার জলের বিশেষ গুণ। এখানে শ্রেণি, ধর্ম, জাতি, কর্ম নির্বিশেষে যে কোনও মানুষই ধর্মঘট-অন্ত-প্রাণ। ধর্মঘট বা বনধ প্রধানত শ্রমিক শ্রেণির হাতিয়ার রূপেই ঐতিহাসিক ভাবে পরিচিত ছিল, কিন্তু এ রাজ্যের মহিমাময় আবহাওয়ার গুণে তাহা সর্বজনীন হইয়াছে। শিক্ষক, ব্যাঙ্ককর্মী, শিক্ষানবিশ চিকিৎসক: সকলেরই যখন ধর্মঘট করিবার জন্মগত অধিকার রহিয়াছে, ব্যবসায়ীরাই বা ব্যতিক্রম হইবেন কেন? সুতরাং, অন্য রাজ্যে যেমনই হউক, সকলের সহযোগিতায় রাজ্যে এই ধর্মঘটটিও চূড়ান্ত সফল হইবে এবং পশ্চিমবঙ্গ এই একটি ক্ষেত্রে নিজের প্রথম স্থান ধরিয়া রাখিবে, আশা করা যায়।

# CPM puts pressure on ally for IISCO

## OUR CORRESPONDENT

**Durgapur, March 28:** A day after the Centre moved a cabinet note to clear the way for the merger of Indian Iron and Steel Company (IISCO) with SAIL, the CPM, an ally in Delhi, threatened an agitation if the union did not come about in six months.

Basudeb Acharya, a CPM parliamentarian and a prominent member of the IISCO Banchao Committee, said the merger was a "long-pending" dem-

and for the revival of the Burrnpur unit of the steel plant, about 45 km from here.

"The Centre announced the merger of IISCO with SAIL last September, but no positive steps are being taken by the ministry concerned thereafter. We have urged the Union government to move ahead with it and fast."

If the much-awaited merger does not come about in six months, Acharya said: "We will launch a largescale agitation and fight tooth-and-nail in su-

port of the demand."

The agitation would be staged "in the state as well as the Centre", where the CPM is backing the Congress-led United Progressive Alliance.

However, the steel ministry in its note — also sent to the Prime Minister's Office — has said the Centre will not spend money on the merger, meaning it will turn down requests to help IISCO clean up its debts.

SAIL, on its part, will have to ensure prompt technology upgrade to make the Burrnpur

plant viable.

The Centre was initially hesitant about the merger, but steel minister Ram Vilas Paswan met chief minister Budeb Bhattacharjee at Writers' Buildings last September and announced Delhi's decision to merge the two.

Five months down the line, IISCO forum are getting increasingly impatient.

Acharya said the CPM was optimistic. "We are hopeful of the merger in the coming mo-

nths. The Prime Minister (Manmohan Singh) has already agreed to it."

The CITU leaders here can only wait and watch. "We want the merger as soon as possible because it would lead to modernisation and increase in production. The employees will feel secure once IISCO be-

comes part of the SAIL family," said Chandrasekhar Banerjee, a CITU leader and member of the save-IISCO committee.

Banerjee said the employees at Burrnpur were scared af-

ter the Kulti unit of the company — near Asansol — was closed down early last year. "With Paswan's announcement of a merger last September, the employees in Burrnpur got a new lease of life."

The union leaders believe the time is perfect for the merger as steel prices are soaring. They have shot up about 250 per cent over the past two years and IISCO, which turned in a Rs 27 crore profit last fiscal after 30 years, could double its profit now.





## পেটেন্ট

# আইন সংশোধন

সম্প্রতি পেটেন্ট আইনটি সংসদে সংশোধিত হয়েছে। নিচে রয়েছে অনেক বিতর্কিত বিষয়। কেউ বলেছেন এর ফলে ক্ষতি হবে ভারতীয় সাংস্কারের। কেউ বলেছেন না, বরং ফায়দা হবে। পেটেন্ট কাকে বলে এবং পেটেন্ট আইন?

### পেটেন্ট কী?

কোনও সরকার যখন কোনও ব্যক্তি বা ব্যক্তিদের কোনও কিছু আবিষ্কারের স্বীকৃতি-স্বরূপ তা ব্যবহার করার জন্য পূর্ণ অধিকার দেয় তখন তাকে বলে পেটেন্ট। যে পণ্যটির উপর পেটেন্ট থাকে সেটি বিনি আবিষ্কার করেছেন একমাত্র তিনিই বাণিজ্যিক কারনে ব্যবহার করতে পারেন। অন্য কেউ যদি ব্যবহার করতে চান তা হলে পেটেন্টের মালিকের অনুমতি নিতে হয়।

### পেটেন্ট বিলের ইতিহাস

ব্রিটেনের ১৮৫২ সালের পেটেন্ট আইনের উপর ভিত্তি করে ভারতে প্রথম পেটেন্ট আইন চালু হয় ১৮৫৬ সালে। নতুন কিছু আবিষ্কার করলে বা উদ্ভাবন করলে ১৪ বছরের জন্য তা ব্যবহারের একচ্ছত্র অধিকার পান তিনি

যিনি পেটেন্ট পান। এই আইনটিতে কিছু পরিবর্তন আনা হয় ১৮৫৯ সালে। ১৮৭২ সাল, ১৮৮৩ সাল এবং ১৮৮৮ সালে আইনটিতে আরও কিছু পরিবর্তন আনা হয়।

১৯১১ সালে চালু করা হয় দি ইন্ডিয়ান পেটেন্টস অ্যান্ড ডিজাইনস অ্যাক্ট। ১৯৭২ সালের ২০ এপ্রিল নতুন রূপে পেটেন্ট আইন চালু করা হয়। ১৯৯৬ সালের ২৬ মার্চ এই আইনটিতে ফের কিছু পরিবর্তন আনা হয়। ২০০২ সালের ২০ মে পেটেন্ট আইন সংশোধন করা হয়। ওষুধ-সংক্রান্ত পেটেন্ট নিয়ে এ বছর ২৩ মার্চ আইনটি ফের সংশোধন করে লোকসভায় অনুমোদন করা হয়।

### ওষুধ এবং পেটেন্ট বিল

দরকারে হাতের কাছে ওষুধ পাওয়া খুবই জরুরি। সেটি কিছুটা নির্ভর করে ওষুধের দামের উপর। এবং ওষুধের দাম নির্ভর করে উৎপাদিত ওষুধের উপর পেটেন্টি কার বা কারদের কাছে আছে তার উপর এবং তা ব্যবহারের অনুমতি পাওয়া যায় কি না তার উপর। ট্রেড-রিপেটেন্ট অ্যাসোসিয়েশন অব ইন্ডিয়ান ফার্মাসিউটিক্যাল প্রপার্টি রাইটস (টিপিপি) বা মেডাসিন্সের বাণিজ্যিক ব্যবহার নিয়ে

বাধ্যতামূলক ভাবে লাইসেন্স দরকার হত।

১৯৭০ সালের এই পেটেন্ট আইনের ফলে ভারতের পণ্যনিষ্কাশন বৃদ্ধি হয় দ্রুত হারে। এবং অপেক্ষাকৃত ভাবে কম দামে জরুরি পণ্য পাওয়া যেতে থাকে।

কিন্তু ট্রিপস চুক্তির পরে চিটাঁ দাঁড়ায় এ রকম:

প্রযুক্তির সমস্ত ক্ষেত্রে পেটেন্টের কথা বলা হয়েছে এই চুক্তিতে।

সমস্ত পণ্যই পেটেন্ট ২০ বছরের জন্য দেওয়া হবে।

বাধ্যতামূলক ভাবে লাইসেন্সের ক্ষেত্রে কিছু সীমাবদ্ধতার কথা বলা আছে।

ভাবা হয়, ভারতের স্বাস্থ্য ক্ষেত্রে এর প্রভাব পড়বে অনেকটাই। ভারতের ওষুধ প্রস্তুতকারক সংস্থাগুলি এখন আর সেই সব ওষুধ তৈরি করতে পারবে না যেগুলির উপর পেটেন্ট আছে অন্য কারও কাছে। এর ফলে

বাজারে সম্ভাব্য বেশ কিছু ওষুধ না পাওয়ার সম্ভাবনা দেখা দিতে পারে যেগুলি আগে সহজেই পাওয়া যেত বলে মনে করা হয়।

বর্তমান পেটেন্ট আইনটি ট্রিপস চুক্তি মাধ্যমে রেখে করা হয়েছে। ডব্লিউ টি ও অস্তুক্ত দেশগুলির সঙ্গে যাতে কোনও বিরোধ না বাধে, তার দিকে নজর দেওয়া হয়েছে। ট্রিপসের যে সমস্ত সুবিধার কথা বলা হয়েছে সব না মানা হলেও পেটেন্ট আইনটি সংশোধন করা হয়েছে ট্রিপসের সঙ্গে সামঞ্জস্য

রাখতেই।

যাদের পেটেন্ট আছে তাদের স্বার্থ সুরক্ষার জন্য বিশেষ ব্যবস্থা আছে নতুন আইনের অধীনে। ফলে এখন অনেক ভারতীয় ওষুধ প্রস্তুতকারকই কম দামে ভারতে ওষুধ তৈরি করে বিক্রি করতে পারবেন। ফলে, সাধারণ মানুষ কম দামেই প্রয়োজনীয় ওষুধ কিনতে পারবেন।

### ট্রিপস এবং পেটেন্ট আইন

আগেই বলা হয়েছে যে নতুন পেটেন্ট আইনে ট্রিপসের সমস্ত শর্ত মানা হয়নি। ট্রিপস সম্পর্কে অনেক বিরোধিতা তৈরি হয়েছে। নানা জায়গায়, দক্ষিণ আফ্রিকা এবং ব্রাজিলে যে রকম বিরোধিতা করা হয়েছে তাতে বলা যেতে পারে যে ট্রিপসে যে সমস্ত কথা বলা হয়েছে তার কী ব্যাখ্যা হবে তা নিয়ে এখনও কোনও চূড়ান্ত সিদ্ধান্তে পৌঁছানো যায়নি। তা ছাড়া ট্রিপস সম্পূর্ণ স্বতন্ত্র নিয়মাবলি নয়। আন্তর্জাতিক অন্যান্য আইন এবং বাণিজ্য ব্যবস্থার কিছু দায়বদ্ধতার কথাও মাধ্যম রাখতে হয়। তবুও বলা যায় ভারতের পেটেন্ট আইন এমন ভাবে সংশোধন করা হয়েছে যাতে তা ট্রিপসের সঙ্গে যথাসম্ভব সামঞ্জস্য রাখে। ভারতের ওষুধ প্রস্তুতকারক সংস্থা এবং সাধারণ মানুষের যোগে

কোনও অসুবিধা না হয় সে দিকেও যথেষ্ট গুরুত্ব দেওয়া হয়েছে।

বাচস্পতি

# VAT sits light on price

SAMBIT SAHA AND  
CHANDRALEKHA TULAL

## BEFORE AND AFTER

Calcutta, March 28: Cooking gas will cost less after April 1. So should a bottle of cola or a bar of soap, but would they?

Before any of this happens, though, a bandh will shut down trade, even possibly the neighbourhood market, in Bengal for three days from Wednesday.

Introduction of value-added tax (VAT) from April 1 should lead to a drop in prices of several commodities — starting from cement to lip gloss — but manufacturers are not ready to commit yet.

The commercial tax directorate of Bengal has put out a list of products where VAT will have a "favourable impact" on prices (see chart). But the full list, classifying commodities according to the two VAT rates of 4 per cent and 12.5 per cent, is not available yet, which means it may be too early to come to a conclusion.

In the budget, finance minister Asim Dasgupta said: "VAT can, thus, help common people, industries, trade and also the government."

The trade, obviously, does not think so as traders' associations today iterated calls for a bandh from March 30 to April 1.

COMMODITY	SALES TAX (%)	VAT (%)	COMMODITY	SALES TAX (%)	VAT (%)
Aerated water	19.55	12.5	Cooking gas	17	12.5
Cement	20.25	12.5	Motor vehicles	13.8	12.5
Cooked food	17.25	12.5	Refrigerators	17.25	12.5
Cosmetics	26	12.5	Soap	17.25	12.5
Drugs and medicines	8	4	Tea	8	4
Gold Jewellery	1.15	1	Televisions	17.25	12.5
Health drink	19.55	12.5	Toothbrush, deodorants	19.55	12.5
			Detergents	17.25	12.5

"Other than petrol pumps and medicine shops, all other trading establishments, including markets, will remain closed for three days," said Mahesh Singhanian of the Federation of West Bengal Trade Associations.

"No one will benefit from VAT," said Balgopal Trivedi, president of the United Traders' Organisation.

That is not quite correct since at least cooking gas price will fall, possibly by Rs 10.

"In states like Bengal where the VAT rate is lower than the existing sales tax, the benefit will be passed on to the consumer," an Indian Oil spokesperson said.

Many manufacturers, whose products will attract a lower VAT than the sales tax that prevails now — and

which VAT will replace — have not decided on prices.

But in examples like refrigerators where VAT is less than sales tax, prices, which would otherwise have gone up, would stay where they are.

Rajeev Karwal, managing director of Electrolux India, said: "We have been waiting for VAT. There is pressure on (profit) margins with input cost going up. With the benefit from VAT, we will be able to maintain prices."

Cosmetics, detergents and soaps are gainers in the VAT regime, but the two large manufacturers, Hindustan Lever and Procter and Gamble, would not comment on prices.

Aerated water would benefit, too, but a Coca-Cola spokesperson said the company was evaluating the situation.

AD-16  
29/3

# Patents Bill: a setback to innovative software developers

By Shanthi kannan

CHENNAI, MARCH 25. The UPA Government has dropped from the Patents Amendment Ordinance 2004 protection to embedded software, following strong protests raised by the Left parties. This might not be a happy development for innovative companies in Indian IT sector, whose ranks might grow. The Patents Amendment Bill to replace the ordinance has been passed by both Houses of Parliament.

The December Patent Ordinance had allowed patenting of software embedded with hardware as also software-hardware combinations. The ordinance did not permit patenting of software, per se. The new ordinance was supposedly brought in to make the Patents Act 2002, TRIPS compliant.

The Union Minister for science and technology is reported to have said that the earlier proposal for patenting of software was a result of the demand of the Indian software industry whom it will help.

The Patents Act, 1970, as modified earlier in 2002 had made non-patentable the following: "a mathematical method or a business method or a computer programme per se or algorithms." The recent amendment ordinance stated instead: "a computer programme per se other than its technical application to industry or a combination with hardware; a mathematical method or a business method or algorithms."

The Chennai-based cyber expert and trademark attorney, A. A. Mohan, said moving from a copyright regime to software patenting would have increased manifold the cost of developing new software. Copyright under which all software has all along been protected in India is virtually automatic, there are no costs associated with obtaining copyright. On the contrary in the case of patent applications for grant of patent had to be filed involving fairly high cost.

Information technology (IT) software and services majors including Infosys, Wipro and TCS have been vocal about developing the embedded solutions and mobile computing space, under the patent regime. Patent regime would help increase India's software exports — about \$15 billion at present — manifold, they have opined.



Software professionals at work developing insurance solutions in a company in Kolkata. — Photo: Parth Sanyal

According to the Managing Director of California Software Company, Sam Santhosh, allowing the patenting of computer programmes was a move long awaited by the IT industry. The Government had made a good beginning. Removing embedded software from the ordinance did not affect Indian IT companies significantly. Though companies like Calsoft develop embedded software, they were mostly as projects for the U.S. companies, who own the IP. "But as the Indian IT industry grows and starts developing products, it might be good to have patent protection for embedded software also included," he added.

## R & D outsourcing

However, he feels that in any case it might be better for Indian law to be different from other countries. As a developing country, it may be critical for India to keep some technology/developments in the open domain — especially if they are of life saving nature (example-developments in medical devices). Further with India being leading offshore developer needs of the Indian IT industry have to be kept in mind.

Mr. Sunil Mehta, Vice President, NASSCOM, would prefer retentions of the proposal to

protect embedded software because this would have helped innovative small and medium companies in the IT sector. There is an increasing awareness among Indian ICT companies that IP is a valuable business asset that drives revenue strategy to create revenue streams that also fuel a nation's economic growth.

IP development would also be leading to increased activity in R&D outsourcing. A recent joint study by NASSCOM and KPMG, on the trend towards R&D outsourcing and its impact on IP creation in a market like India, says that the India bioinformatics market is expected to exceed \$ 2 billion by 2008, while the market for Indian biotech R&D products and services will rise to around \$ 3 billion by 2010. The embedded systems segment is expected to witness a spurt in R&D outsourcing as well and will account for revenues of around \$ 1.5 billion by 2004-05.

Already, Indian BPO services companies are getting into the development of embedded system tools such as microcontrollers, DSPs, FPGAs, and design of hardware and software.

Though there are many merits to this issue, still patenting is considered to be a cause of concern. As India has very few soft-

ware products — the industry supplies "bodies" (body shopping) to develop software for global giants — such a regime would push up the costs of the users of software as a whole and also make it almost impossible for Indian companies in the future to break into the global software market with its own products.

## Cause for concern

Mr. Santhosh feels that if embedded software were protected, there would be potential for conflict between hardware and software producers. Software patents might inhibit development of new hardware products since a number of hardware / software combinations might be possible in developing different solutions. Another concern is that there could be more inadvertent breaches in terms of claims. These could be more likely for small firms where they may not have the resources or exclusive IP wing to look and explore into such issue.

Patenting is a double-edged weapon, says Mr. Mohan. The prices of products will shoot up; on the other hand there will be a rise in the investment for R&D. Since any commercial software has some industry application it would have opened up all software to patenting.

# 21 States to implement VAT from April 1

● Bid to make other States fall in line

By Our Special Correspondent

*9-20-05*  
*10-1*

**NEW DELHI, MARCH 24.** The cloud of uncertainty hanging over the implementation of the Value Added Tax (VAT) has cleared with 21 States giving their commitment to switch over to the new tax regime from April 1. Efforts are on to ensure that other "reluctant" States also join the bandwagon.

The road for "timely" implementation of the "historic" new levy in lieu of the sales tax was paved only after some more major reliefs and assurances were announced at the meeting of the Empowered Committee of State Finance Ministers on VAT, convened here on Thursday by the West Bengal Finance Minister, Asim Dasgupta. The Union Finance Minister, P. Chidambaram, also attended the meeting.

## Further cut in tax rate

The Empowered Committee decided to cut the tax rate further from one per cent to 0.25 per cent and double the exemption limit for small traders from Rs. 5 lakhs to Rs. 10 lakhs. Mr. Chidambaram assured the Ministers that while the Central Sales Tax (CST) would be phased out in three years, any revenue loss incurred by the States following the switchover would also be compensated.

As a measure of further comfort to assuage the misgivings of various States and traders' associations, the empowered panel also agreed to "review" the VAT

slab rates on a number of items after June this year.

Following today's positive outcome, the empowered panel has renewed efforts to open up fresh channels of communication with Uttar Pradesh, Uttarakhand, Tamil Nadu and the five BJP-ruled States — Rajasthan, Gujarat, Madhya Pradesh, Chattisgarh and Jharkhand — to persuade them to switch over to the VAT regime.

For instance, at the VAT panel meeting, while Mr. Chidambaram urged the States to add a new dimension to Centre-State ties by switching over to the new regime, Mr. Dasgupta, in his capacity as the panel Chairman met senior BJP leaders, L.K. Advani and Yashwant Sinha, during the day urging them to "reconsider" their decision.

In the next few days, the VAT panel will also meet the Uttar Pradesh Chief Minister, Mulayam Singh Yadav, as also the Finance Minister of Tamil Nadu besides having further discussions with the BJP leaders to make them fall in line with the rest of the country.

At the VAT panel meeting, Mr. Chidambaram referred to Mr. Dasgupta having obtained a commitment from 21 States on implementation of the new tax regime and said: "It is a historic opportunity for States to add a new dimension in the Centre-State relationships where an Empowered Committee is really setting the agenda".

Editorial on Page 10

# সংসদে ঘোষণা রামবিলাসের ডিসেম্বরের মধ্যেই ইস্কো-সেল সংযুক্তি

স্টাফ রিপোর্টার, নয়াদিল্লি, ২৪ মার্চ: ইস্কো নিয়ে এক দশকেরও বেশি সময় টালবাহানার অবসান ঘটিয়ে ইস্পাত মন্ত্রী রামবিলাস পাসোয়ান আজ সংসদে জানিয়ে দিলেন, আগামী ডিসেম্বরের মধ্যেই সেল-এর সঙ্গে ওই সংস্থার সংযুক্তিকরণ হয়ে যাবে। সংযুক্তিকরণের সিদ্ধান্ত আগে ঘোষিত হলেও এই প্রথম তিনি সময়সীমা বেঁধে দিলেন।

আজ লোকসভায় সি পি এমের বাসুদেব আচারিয়া এবং সি পি আইয়ের গুরুদাস দাশগুপ্ত দুটি আকর্ষণীয় প্রস্তাব হিসাবে ইস্কোর বিষয়টি তোলেন। মন্ত্রীর প্রাথমিক বিবৃতিতে সন্তুষ্ট না-হয়ে তাঁরা জানতে চান, ঠিক কত দিনের মধ্যে সেলের সঙ্গে ওই সংস্থার সংযুক্তিকরণ ঘটবে। এর পরেই রামবিলাস জানিয়ে দেন, তিন মাসের মধ্যে তিনি এই বিষয়ে কাগজপত্র তৈরি করে কেন্দ্রীয় মন্ত্রিসভার সামনে পেশ করবেন। মন্ত্রিসভা তা অনুমোদন করার ছয় মাসের মধ্যে গোটা প্রক্রিয়া সম্পূর্ণ করে ফেলবেন।

অক্টোবরে বিষয়টি তাঁর সামনে আসে, এ কথা জানিয়ে রামবিলাস বলেন, “তখন আমি বিষয়টি খতিয়ে দেখেছিলাম। তিন মাসের মধ্যে তা (চূড়ান্ত প্রস্তাব) কেন্দ্রীয় মন্ত্রিসভার কাছে পাঠিয়ে দেব। মন্ত্রিসভা তা অনুমোদন করার ছয় মাসের মধ্যে বা

সেল যে ইস্কোর সঙ্গে মিশে যাবে, সে কথা ইস্পাতমন্ত্রী আগেই ঘোষণা করেছিলেন। আজও লিখিত বিবৃতিতে তিনি সে কথাই জানান। বিবৃতিতে বলা হয়, এখন ইস্কোর জমে থাকা লোকসানের পরিমাণ হল ৯৫৫ কোটি টাকা। কিন্তু গত বছর ২৭ কোটি টাকা লাভ করার পর এই বছর সংস্থাটি প্রথম নয় মাসে ১২৪ কোটি টাকা লাভ করেছে। তবু মূলধনের অভাবে সংস্থাটির হাল খারাপ। অন্য দিকে, সেল গত বছর ২৫১২ কোটি টাকা লাভ করেছে। এখন সংযুক্তি হলে দুটি সংস্থাই লাভবান হবে। এ কথা জানিয়ে ওই বিবৃতিতে বলা হয়, সেলের বোর্ড এই সংযুক্তিকরণের প্রস্তাবে নীতিগতভাবে সায় দিয়েছে।

কিন্তু এই বিবৃতিতে কোনও সময়সীমা নির্দিষ্ট করা ছিল না। বামপন্থীরা তাই তাঁর কাছে স্পষ্ট করে জানতে চান, কত দিনের মধ্যে তা করা হবে। বস্তুতপক্ষে নির্দিষ্ট প্রতিশ্রুতি

আদায়ের জন্যই বাসুদেব ও গুরুদাস আজ বিষয়টি লোকসভায় তোলেন। মন্ত্রীর বিবৃতির পর তাঁদের বক্তব্য ছিল, সংযুক্তির কথা ঘোষণা করা হয়েছে ঠিকই, কিন্তু সময়সীমা নির্দিষ্ট করা হয়নি। গুরুদাস বলেন, “আমি মন্ত্রীর সদুদ্দেশ্য নিয়ে কোনও প্রশ্ন তুলছি না। কিন্তু দুর্ভাগ্যের কথা হল, এখনও পর্যন্ত এ নিয়ে কিছুই করা হয়নি।”

এর পরেই রামবিলাস উঠে দাঁড়িয়ে পুরো বিষয়টি স্পষ্ট করে বামপন্থীদের বাহবা কুড়িয়ে নেন। রামবিলাস বলেন, তিনি নিজে যখন বার্নপুরে গিয়েছিলেন তখনই দেখেছিলেন ইস্কোর হাতে বিশেষ পয়সা নেই। কিন্তু অন্য দিকে সেল লাভ করে চলেছে। “এই অবস্থায় আমরা মনে করেছিলাম যে মিলনের প্রস্তাবটি গ্রহণযোগ্য ও তার পর আমি পশ্চিমবঙ্গের মুখ্যমন্ত্রী ও সেলের চেয়ারম্যানের সঙ্গে কথা বলি। এর পর সিদ্ধান্ত চূড়ান্ত করতে আমাদের সামান্যই সময় লেগেছিল।”

রামবিলাসের কাছে যখন প্রাথমিক ভাবে প্রস্তাবটি আসে তার পরেই পশ্চিমবঙ্গের মুখ্যমন্ত্রী প্রকাশ্যে জিন্দাল গোষ্ঠীকে ইস্কো অধিগ্রহণ করতে আহ্বান জানান। কিন্তু রামবিলাসই তার পর বিষয়টিতে হস্তক্ষেপ করেন ও ইস্কোকে সরকারি হাতে রাখার উপর জোর দেন। ইস্কোর সঙ্গে বহু বছর ধরে ইস্কোর আধুনিকীকরণ সংক্রান্ত নানা প্রস্তাব নিয়ে কেন্দ্রীয় সরকার টালবাহানা করে আসছিল। ইস্কো রুগণ হয়ে পড়েছিল এক দশক আগেই ও '৯৪ সালের জুন মাসে তা বি আই এফ আরে চলে যায়।

তার পর বিভিন্ন বেসরকারি সংস্থার কাছে ইস্কো বেচে দেওয়ার চিন্তাভাবনাও চলতে থাকে। ২০০০ সালে সেল ইস্কোর আর্থিক অবস্থার পুনর্বিন্যাস (ফিন্যান্সিয়াল রিস্ট্রাকচারিং) ঘটিয়ে সংস্থাটিকে অস্বিজেন জোগানোর চেঁটা করে। উদ্দেশ্য ছিল সংস্থাটি কিনতে বেসরকারি সংস্থাগুলিকে আগ্রহী করা। ওই সময়েই কেন্দ্র সিদ্ধান্ত নেয়, সেলের হাতে অর্ধেকের কম শেয়ার রেখে বেশি শেয়ার কোনও বেসরকারি সংস্থাকে দেওয়া হবে। বিদেশি সংস্থার কাছ থেকে প্রযুক্তিগত ঋণ নিয়েও আলোচনা চলে। অন্য দিকে, ইউনিয়নগুলি চড়া সুরে বেসরকারীকরণের বিরোধিতা করে আসছিল।

● না আঁচালে বিশ্বাস নেই শিল্পাঞ্চলের... পৃঃ ৫



## স্বাগত দ্বিচারিতা!

শাসনপ্রণালী যে একটি ধারাবাহিক প্রক্রিয়া, কেবলে সরকার বদলের সঙ্গে যে তাহা আমূল বদলাইয়া ফেলা যায় না, এই সত্যটি অনেক রাজনীতিকই বুঝিতে চাহেন না। চাহেন না বলিয়াই বিরোধী পক্ষে থাকিতে অভ্যস্ত দলের নেতারা সরকার পক্ষে আসিয়াও পুরানো অভ্যাস ছাড়িতে পারেন না। অন্য দিকে সরকারে থাকা কালে প্রণীত নিজেদের শাসননীতিকেও বিরোধী পক্ষে চলিয়া গেলে দলীয় রাজনীতিকরা বিরোধিতা করিতে থাকেন। এই হাস্যকর আত্মপ্রতারণা বাম-দক্ষিণ উভয় শিবিরেই লক্ষিত হয়। সংসদে পেটেন্ট বিল ও পেনশন বিল লইয়া বিজেপি তথা রাষ্ট্রীয় গণতান্ত্রিক মোর্চা এবং বামপন্থীদের আচরণে সম্প্রতি ইহা স্পষ্ট হইয়াছে। পূর্বতন বিজেপি সরকারের আনীত পেটেন্ট বিলের বিরোধিতা করিয়া বিজেপি সাংসদরাই ওয়াক-আউট করিয়াছেন। তাহাতে অবশ্য সরকারের পক্ষে বিলটি পাশ করাইতে সুবিধাও হইয়াছে। হয়তো বিশ্ব বাণিজ্য সংস্থার সহিত চুক্তিবদ্ধ ভারতের বিশ্বায়নের পথের বাধা রূপে বিশ্বে শনাক্ত হইতে চান না বলিয়াই বিজেপি নেতারা ওয়াক-আউটের কৌশল লইয়াছেন। তাহাতে দেশবাসীর কাছে বিল-বিরোধী বলিয়া হাততালি কুড়ানোও যায়, অথচ বিল পাশে সমস্যাও হয় না। কিন্তু নিজেদের আনা পেটেন্ট বিলকে জনস্বার্থবিরোধী বলিয়া সওয়াল করিতে বিজেপি নেতাদের শোনা গিয়াছে। ইহা স্পষ্টতই রাজনৈতিক দ্বিচারিতা।

বামপন্থীদের আচরণ বিল পাশে সহায়ক, কিন্তু সেখানেও এক ধরনের দ্বিচারিতা নিহিত। বিজেপি সরকার এই বিল আনিলে বামেরা তীব্র বিরোধিতা করিয়াছিলেন। এ বার কিন্তু তাঁহাদের আনা কয়েকটি সংশোধনী সরকার মানিয়া লইতেই তাঁহারা স্বতঃপ্রণোদিত হইয়া বিলের পক্ষে উঠিয়া দাঁড়ান। আগের বার বামেরা সর্বতোভাবে বিলটির বিরোধিতা করিয়াছিলেন। তাঁহাদের মনে হইয়াছিল, এই বিল আনিয়া বিজেপি দেশের সার্বভৌমত্ব বিক্রয় করিতে চায়। তখন বামপন্থীরা সংশোধনী গ্রহণ করাইবার জন্য আন্তরিক ভাবে উদ্যোগ করিয়াছিলেন কি? একই বিল কংগ্রেসের সরকার আনিলে তাহা 'একমেরু বিশ্বের বাধ্যবাধকতা' বলিয়া শিরোধার্য হয় এবং 'জনস্বার্থে বিশ্ব বাণিজ্য সংস্থার নমনীয় বিধিনিয়মগুলিকে ব্যবহার' করার পক্ষে সওয়াল করা হয়। পেনশন বিলের ক্ষেত্রে এখনও এই নমনীয়তা বামপন্থীরা দেখান নাই। বিজেপি ও বাম, উভয় শিবিরই দৃঢ়ভাবে বিরোধিতায় লিপ্ত। এখানেও বিজেপির বিরোধিতা কিছুটা বিস্ময়কর। বিজেপি বা কংগ্রেস, উভয়ের আর্থিক নীতিতে বৃহৎ প্রভেদ নাই, বড় জোর অগ্রাধিকারে কিছু হেরফের আছে। অথচ রাজনীতিতে তাহারা পরস্পরবিরোধী দুই শিবির। তাই নিছক বিরোধিতার স্বার্থেও সংসদে প্রতিবাদ, ওয়াক-আউট ইত্যাদি করা আবশ্যিক, যাহাতে নির্বাচকমণ্ডলীর কাছে এই বিরোধিতার বার্তা পৌঁছায়। পেনশন বিলও হয়তো বামপন্থীরা শেষ পর্যন্ত পাশ হইতে দিবেন, অন্তত উদার অর্থনীতি ও একমেরু বিশ্বের 'বাধ্যবাধকতা ও নমনীয় বিধিনিয়মগুলি' যদি জনকল্যাণে প্রয়োগ করিতে পারেন।

কোনও দল বা গোষ্ঠী জনচক্ষে বিরোধিতার ভাণ রক্ষা করিতে ওয়াক-আউট করিবে, অন্য কোনও গোষ্ঠী জনস্বার্থে সংশোধনী আনিবে— এই ভাবে যদি বিতর্কিত বিলগুলি অনুমোদিত হইতে থাকে, তবে এক হিসাবে তাহা ভালই। ইহা বরং রাজনৈতিক মতাদর্শনির্বিশেষে শাসনপ্রণালীকে মসৃণ করিতে সহায়ক হইবে। হয়তো এ ভাবে দেশের বহুদলীয় গণতন্ত্রে শাসনপ্রণালীর ধারাবাহিকতা রক্ষার একটা নূতন ছকই রচিত হইবে। বিশ্ব একমেরু হওয়ায় এবং অর্থনৈতিক ভূবনায়ন অনিবার্য ও দ্রুত হওয়ায় এমনিতেই রাজনীতিতে মতাদর্শের ভূমিকা ক্রমেই ক্ষীণ হইতেছে। তবু গণতন্ত্র যেহেতু জনাদেশের ব্যাপার এবং প্রতিটি দলকেই নিজস্ব নীতি ও কর্মসূচি লইয়া ভোটদানের সম্মুখীন হইতে হয়, তাই মৌলিক বিষয়গুলি লইয়া বিতর্ক বা বিরোধিতার আভাস প্রতীয়মান হওয়া জরুরি। বামপন্থীরা বিলক্ষে হইলেও উদার অর্থনীতি ও ভূবনায়নের অনিবার্যতা উপলব্ধি করায় তাঁহাদের শাসিত অঙ্গরাজ্যে যেমন, তেমনই কেবলে তাঁহাদের সমর্থিত সরকারের নীতি প্রণয়নেও আগের তুলনায় নমনীয়তা দেখাইতে বাধ্য হইতেছেন। তবে বিজেপির মতো তাঁহাদেরও ভোট লড়িতে হইবে, তাই দেশের 'সার্বভৌমত্ব বিকায় দিবার' গল্পকথা বিজেপির মতো তাঁহাদেরও ভোটদানের কানে জপিতে হইবে। এবং এই দ্বিচারিতা আরও বেশ কিছু কাল চলিতে থাকিবে। চলুক। তবে শাসনপ্রণালীকে সঙ্কটাপন্ন না করিলেই হইল। সেখানে ধারাবাহিকতা বজায় রাখা দরকার।

## PATENT SOLUTION

**T**he issue of patenting has always been controversial, ever since trade-related intellectual property rights became part of trade negotiations through the Uruguay Round. There are TRIPs issues beyond patents. For instance, questions about biodiversity, plant and seed varieties, data exclusivity or even copyright. However, patents become particularly contentious because of the perceived link with drug prices and public health concerns. Given the TRIPs agreement, to which India is a signatory by virtue of being a member of the World Trade Organization, there are international commitments requiring amendments to the Indian Patents Act of 1970. However, a transition period till January 1, 2005, was allowed to developing countries like India.

The first two amendments to the 1970 statute, in 1999 and 2002, were relatively less important, since they were primarily directed towards transitory provisions between 1995 and 2005. It is the third amendment that was expected to make the Indian patent law TRIPs-compliant, involving 20-year terms for patenting, product patents in addition to process patents, tightened compulsory licensing provisions and treatment of imports as equivalent to working of patents in India. The international commitment was initially adhered to through an ordinance promulgated on December 23, 2004. However, this had to be replaced by legislation. The National Democratic Alliance may now clamour that the bill should have been referred to a standing committee. But that is frivolous, since the original bill was drafted by the NDA. Indeed, a critical problem with the bill has got drowned in the din of debate.

With such a major change, the Indian Patents Act should have been completely redone. Instead, the bill amends sections of the 1970 statute, leaving other sections intact, leading to problems of inconsistency. This is linked to differing perceptions about whether patenting is good for India. If patenting is good, legislation ought to be TRIPs-compliant and even TRIPs-plus. But if patenting is bad, and is being done because of external commitments, one only does that which is required by TRIPs, often testing the waters between what is TRIPs-compliant and what is not. Since this issue was never resolved, the bill deliberately left ambiguity, hoping to address these questions through subsequent rules. With left support essential to ensure its passage through the Lok Sabha, some dilution was inevitable and this has prominently happened for pre-grant opposition. The definitions of inventive step and new invention have been refined, restricting possibilities of ever-greening, and new chemical entities and micro-organisms have been referred to an expert committee, although the Mashelkar committee had recommendations not quite incorporated in the bill. There has been some tightening of compulsory licensing and existing manufacturing within the mailbox provisions. Multinational manufacturers and developed countries will be unhappy. But Mr Kamal Nath has worked out a reasonable compromise, given the constraints.

9:30 AM  
HR 6  
24/3

# Politics, patents & patients

**T**HE ONE big lesson for Indian politicians, now that the new patent law has been passed, is that if they are concerned with public welfare they should devote some time for it. The Bill was passed with the BJP playing politics, the Congress being clever and the Left, surprisingly, being constructive. Roles have been different in the past. The net result is that not enough parliamentary time has been allotted to discuss crucial issues. This is sad. No matter what the provocation for raising non-policy issues, MPs have the duty to debate public affairs. Leaders of major parties must work out together a system that ensures substantial parliamentary time is dedicated to important Bills.

The importance of the new patent law can be hardly overstated. Product patents on pharmaceuticals, food and agro-chemicals means Indian commercial research has to increase by orders of magnitude in both volume and quality to compete with foreign companies. Complaining about the change won't help; it is coming any way. In any case, enough safeguards have been put in place for the domestic drug industry, which was supposed to be the hardest

hit by a change in the patent regime. The bigger drug firms will at least now have to invest in R&D and take up the challenging job of developing new molecules and obtaining not only Indian but globally recognised patents. Plenty is talked about India's scientific and research talent. The new patent law is the chance to, and provides the compulsion for, proving that Indians can do serious research. The new patent law won't, as the scare stories have it, push up all drug prices immediately. In any case, a public health emergency or domestic price management requirements can be cited as valid reasons for temporarily holding the patent in abeyance. But consumers, especially the better off, must be prepared for paying more for some branded drugs in the future.

As for the poor, drug costs form a small part of the total public health expenditure in the country and, therefore, even with generally higher prices sometime in the future, finding money for medicines is unlikely to be a problem. The biggest problem about healthcare of the poor is the abysmal delivery system. Patent laws or the WTO have nothing to do with it. Politicians have. But they probably won't find time to discuss it.



THURSDAY, MARCH 24, 2005

## TWO CHEERS FOR PATENTS

9- Bw Mm  
10-10

THE PASSAGE OF the Patents (Amendment) Bill, 2005, in the Lok Sabha on Tuesday is not just proof of the political strength of the United Progressive Alliance Government. It is also a practical demonstration of the positive legislative effects that a healthy dose of negotiation between the Congress and the Left can produce. To borrow from patent jargon, the process was commendable even if one still has misgivings about the product. Under the Trade-related aspects of the Intellectual Property Rights (TRIPS) agreement, India was obliged to legislate a major change in its domestic patent law so that protection is provided not just to the holders of specified processes but to products as well. The country has fulfilled different aspects of its obligations in this regard, notably by amending the 1970 Patents Act in 1999 and 2002. To the extent the National Democratic Alliance Government failed to build in all the safeguards and protections allowed by TRIPS, one might even say India over-fulfilled its commitments. But to make the Patents Act fully TRIPS-compliant, it was also necessary to extend the new patent protection to pharmaceutical products by January 1, 2005. As the deadline approached last year, the Manmohan Singh Government hurriedly promulgated an ordinance based entirely on the draft Bill prepared by the NDA regime. And when Parliament met for the Budget session in February, it was this ordinance based on an admittedly flawed original Bill that was sought to be legislated.

That this deficient Bill has now been amended — in good but not complete measure — is largely thanks to the Bharatiya Janata Party's opportunism in declaring its opposition to the changes it had itself drafted. This had the effect of obliging the UPA Government to fall back on the Left, which in turn insisted that the Bill be strengthened to include vital safeguards to protect the access of poor people in India and other developing countries to affordable drugs. As matters stand, the Bill has built in some safeguards

against "evergreening," whereby unscrupulous drug companies seek to extend the life of existing patents by introducing minor variations. The Bill stipulates that only a "new entity" involving "one or more inventive steps" will fit the criterion of a patentable pharmaceutical substance. This language improves on the earlier formulation but still falls short of a specific definition of "new entities." On compulsory licensing of life-saving drugs and pre-grant opposition, the Bill has incorporated the necessary safeguards. Finally, the unnecessary restrictions on the export of patented drugs manufactured generically in India under compulsory licence to less developed countries — such as the sale to African nations, at much lower prices, of anti-retrovirals to combat AIDS — have been removed.

Although a happy compromise of sorts was reached on patent law, it is hard not to feel unease over the continuing failure of governments in India to notify the landmark Plant Variety Protection and Farmers' Rights Act in keeping with the TRIPS deadline of protecting plant breeders' rights by January 1, 2005. If the pharmaceutical industry lobby has pressed for the current Patents Bill, the multinational seeds lobby has prevented the Farmers' Rights Act from entering into force notwithstanding its passage by both Houses of Parliament in 2001. The UPA Government has committed itself to referring the question of defining "new entities" and prohibiting the patenting of micro-organisms (which is not even mandated by TRIPS) to an expert committee. What is crucial is that public health experts fully conversant with the issues involved in patenting micro-organisms (such as genes and viruses) must be involved in this process, which must not be left to Commerce Ministry bureaucrats and patent lawyers. Finally, the Government must not treat TRIPS as a closed chapter. There is a process of review and India must effectively and persuasively advocate a much greater relaxation of key Articles relating to public health.

THE HINDU

24 MAR 2005

# Parliament approves Patents Bill

● "Pharmaceutical industry will be strengthened"

By Our Special Correspondent

*Q - Bio Affairs HD-1*

**NEW DELHI, MARCH 23.** Parliament today approved the Third Patents (Amendment) Bill 2005 with the Rajya Sabha passing it by voice vote after the National Democratic Alliance led by the Leader of the Opposition, Jashwant Singh, walked out in protest. The Commerce Minister, Kamal Nath, agreed to refer two amendments proposed by the Left parties to an experts' committee.

The Lok Sabha passed the Bill on Tuesday after the Government incorporated several amendments suggested by the Left parties.

Replying to the discussion, Mr. Kamal Nath said the new legislation would not lead to an increase in the prices of essential drugs as these were not covered by the patents regime. He refuted the Opposition charge that the World Trade Organisation-mooted law was thrust on India. Rather, India acceded to the changes taking into consideration the national interest. "It will be the Indian pharmaceutical industry and not the multinational corporations that will be strengthened by the Bill."

## "Ill-conceived demand"

The Minister pointed out that the Opposition demand for a review and consensus was "ill-conceived" because it was the NDA Government that had brought the Bill to the Rajya Sabha in 2003. That Government got the first and second amendments approved by the

House and the United Progressive Alliance Government was only culminating the process.

The NDA wanted the Bill to be referred to a parliamentary committee with the former Union Minister, Yashwant Sinha, saying that "it was very unfortunate to send a signal that the polity was divided on the Patents Bill."

Mr. Sinha said the Government had missed a "golden opportunity" by not heeding the Opposition demand to review the Bill and remove lacunae such as the inadequate strength of the Patent Office that will scrutinise all applications for patents.

## Turmoil over absence

While the Bill was introduced smoothly in the pre-lunch session, there was turmoil after the recess as the Opposition took exception to Mr. Kamal Nath's absence. This prompted the Deputy Chairman, K. Rehman Khan, to ask the Treasury benches to make amends and adjourned the House for 10 minutes. The Defence Minister, Pranab Mukherjee, who had earlier served as Commerce Minister, deputised for Mr. Kamal Nath.

Mr. Mukherjee corrected Mr. Sinha when he objected to the Government's assurance on Tuesday that the Opposition's amendments could be considered at a later stage.

Jairam Ramesh (Congress) said the Bharatiya Janata Party was ill-placed to suggest a national consensus when it had

played "partisan politics" by indicating to the States ruled by it not to implement the value added tax. He refuted Mr. Sinha's suggestion that the Government had not taken any initiative for 10 months by pointing out that the WTO had in 1995 given India a decade's time to come up with legislation that was in accordance with the global consensus.

"The new regime will not result in shooting up of prices of essential drugs as it is entirely up to the Government to declare a drug as essential and bring it in the drug prices control order." Ninety-seven per cent of the drugs were out of the patents matrix, he added.

Nilotpal Basu (Communist Party of India-Marxist) refuted the suggestion that the Left parties had "surrendered" to the Government line on the Bill. He said the Left parties had agreed to the Bill only after the Government had factored in their amendments.

He urged the Government to bring in amendments at a later date to address weaknesses that existed in the Bill.

Shahid Siddiqui (Samajwadi Party), N. Jyothi (All-India Anna Dravida Munnetra Kazhagam) and Vanga Geetha (Telugu Desam Party) said the prices of essential drugs might go up as a result of the Bill.

Fali Nariman (nominated) supported the Bill but wanted a through debate on its provisions.

Editorial on Page 10  
A small battle won: Page 11

# পেটেন্ট বিল পাশ, জেতার দাবি বামেদের

স্টাফ রিপোর্টার, নয়াদিল্লি, ২২ মার্চ: আন্তর্জাতিক স্তরে সরকারের দেওয়া প্রতিশ্রুতি রক্ষা করে পেটেন্ট বিল অবশেষে লোকসভায় পাশ হল। ছোট-বড় মিলিয়ে মোট ১৫টি সংশোধনী সম্মত। সরকারের পাশে দাঁড়িয়ে এই বিল সমর্থন করে সিপিএম দাবি করেছে, এর ফলে মার্কিন সাম্রাজ্যবাদের বিরুদ্ধে লড়াই আরও জোরদার হল। এই আইন পাশ হওয়ায় সরকারও স্বস্তির নিঃশ্বাস ফেলল। কারণ, এর ফলে আমেরিকা বা অন্য কোনও দেশ ভারতের বিরুদ্ধে শাস্তিমূলক ব্যবস্থা নিতে পারবে না। বিজেপি অবশ্য শেষ পর্যন্ত বলে গিয়েছে বিলটি আলোচনার জন্য সংসদীয় স্থায়ী কমিটিতে পাঠানো উচিত। বিলের প্রতিবাদে এন ডি এ সাংসদেরা পরে কক্ষত্যাগ করেন। সরকারের ভয় ছিল, পেটেন্ট বিল পাশ না হলে বাণিজ্যিক নিষেধাজ্ঞার

কোপে পড়বে ভারত। পেটেন্ট আইন সংশোধনের জন্য ১০ বছরের সময়সীমা ইতিমধ্যেই পেরিয়ে গিয়েছে। বিল পাশ করানোর জন্য এক দিকে বামেদের সঙ্গে ঘনঘন বৈঠক করেছে সরকারপক্ষ। অন্য দিকে আজ সকালেও বিরোধী দলনেতা লালকৃষ্ণ আডবাণীর সঙ্গে দেখা করে শেষ বারের মতো নরম করার চেষ্টা করেন প্রণব মুখোপাধ্যায় ও গুলাম নবী আজাদ। তবে সিপিএমের সমর্থন নিশ্চিত হওয়ার পরে আর বিজেপির মুখাপেক্ষী থাকতে হয়নি কেন্দ্রকে। গতকাল বাম এবং বিরোধীদের আপত্তিতে লোকসভায় পেটেন্ট বিল নিয়ে আলোচনাই করা যায়নি। সংশোধনীগুলি খুঁটিয়ে পড়ার জন্য সময় চেয়েছিলেন বামেরা। রাজনৈতিক সূত্রে খবর, সংশোধনীগুলি নিয়ে ফের আলোচনা হয় সরকার এবং সিপিএমের মধ্যে। তারপর আজ সংসদে দাঁড়িয়ে

ভাষণের শুরুতেই রূপচাঁদ পাল বিলটি সমর্থন করে বলেন, “মেধাসম্বল বাণিজ্যিক দিক সম্পর্কিত ধারার (ট্রেড রিলেটেড অ্যাসপেক্টস অফ ইনটেলেকচুয়াল প্রপার্টি রাইট, সংক্ষেপে ট্রিপস) বিষয়ে আমাদের দৃঢ় অবস্থান নিতে হবে। এই সংশোধনীগুলির ফলে মার্কিন সাম্রাজ্যবাদের বিরুদ্ধে সরকারের হাত শক্ত হবে।” কেন তাঁরা বিলটির সমর্থন করছেন, তার যুক্তি সাজিয়ে রূপচাঁদের বক্তব্য, “আমরা জানি মার্কিন যুক্তরাষ্ট্র আমাদের টেনে নামানোর চেষ্টা করছে। ইউরোপীয় ইউনিয়ন আমাদের দেশের ওষুধ তৈরিতে উন্নতি সম্পর্কে ঈর্ষাকাতর।” এই অবস্থায় বিশ্ব বাণিজ্য সংস্থা বা ট্রিপসের বিরোধিতা করার বদলে সিপিএম আইনের ‘নমনীয়তা’ থেকে যতটা সম্ভব সুবিধা আদায় করার চেষ্টা করছে বলে জানানো হয়। মোট ১২টি সংশোধনী সরকারের

কাছে জমা দিয়েছিল সিপিএম। তার মধ্যে কেন্দ্র ১০টি মেনে নিয়েছে। অন্য দু’টি গুরুত্বপূর্ণ হলেও এখনই তা মেনে নেওয়ার ইচ্ছিত দেয়নি কেন্দ্র। বরং বিশেষজ্ঞ কমিটির মাধ্যমে বামেদের দাবির সত্যাসত্য যাচাই করেই দেখতে চায় সরকার। কিন্তু একেই নিজেদের বড় জয় বলে দেখাতে চায় সিপিএম। সাংবাদিক বৈঠকে রাজ্যসভায় সিপিএমের নেতা নীলোৎপল বসু বলেছেন, “আগের পেটেন্ট আইনের ক্ষেত্রে বামেদের বক্তব্যকে ধর্তব্যের মধ্যে আনা হত না। এ বার আমাদের সংশোধনীগুলি নেওয়া হচ্ছে। এটা আমাদের বড় জয়।” সভায় সিপিএমের এই সাফল্যের সবিস্তার ব্যাখ্যা দিতে গিয়ে এমন অবস্থা হয়, যে কমল নাথ রূপচাঁদকে বলেন, “সবই যদি আর্পনারা জানিয়ে দেন, তা হলে আমি কী বলব!” এর পর সাতের পাতায়

## দাবি বামেদের

প্রথম পাতার পর সিপিএমের বক্তব্য, বিশ্ব বাণিজ্য সংস্থা বা ‘ট্রিপস’ নিয়ে তাঁদের অবস্থান এক চুলুপ পাল্টায়নি। বরং সরকারই নিজেদের পাল্টে ফেলেছে। অন্য সংশোধনী মানলেও দু’টি ক্ষেত্রে সরকার এখনও মাটি ছাড়তে রাজি নয়। নতুন পণ্য হিসাবে কোনটি গণ্য করা হবে, তার সংজ্ঞা নিয়ে মতভেদ রয়েছে। দ্বিতীয়ত, ‘মাইক্রোঅর্গানিজম’-কে পেটেন্টের আওতায় আনতে বামেদের আপত্তি আছে। সরকার এই দু’টি বিষয়ে বিশেষজ্ঞ কমিটি বসাবে। পেটেন্ট বিলের বিরোধিতা করে বিজেপির বক্তব্য ছিল, তাদের সঙ্গে যথেষ্ট আলোচনা হয়নি। লোকসভায় বিজেপির উদয় সিংহ প্রশ্ন তোলেন, “এত তাড়া কিসের?” তাঁর যুক্তি, অনেক সংশোধনী এসেছে। সে সব দেখার সময় পাইনি। পাল্টা জবাবে বিজেপিকে আক্রমণ করেন কমল নাথ ও সিপিএম নেতারা। রূপচাঁদ বলেন, নভেম্বর থেকে এ পর্যন্ত বিজেপি বিল নিয়ে একটা সংশোধনী-প্রস্তাবও দেয়নি। কমল নাথও বলেন, “দু’বছর ধরে যৌথ সংসদীয় কমিটিতে এই বিলটি আলোচিত হয়েছে। পরে বিজেপি একটি মাত্র সংশোধনী প্রস্তাব দিয়েছিল। সেটাও আবার বহু আগেই বামেরা সরকারকে দিয়েছে।” পেটেন্ট বিলের বিরোধিতায় এন ডি এ-র দু’টি পথ ছিল, এক বিপক্ষে ভোট দেওয়া দুই কক্ষত্যাগ করা। তারা শেষ পর্যন্ত দ্বিতীয়টিই বেছে নেয়।

# Lok Sabha passes Patents Bill amid walkout

● All safeguards built in, says Minister

By Our Special Correspondent

**NEW DELHI, MARCH 22.** Even as the Opposition staged a walkout, the Lok Sabha today passed the third Patents (Amendments) Bill 2005. This will meet the country's obligation to usher in a new product patents regime under the Trade Related Intellectual Property Rights agreement of the World Trade Organisation. The Bill was passed after the Commerce and Industry Minister, Kamal Nath, assured the House that "all safeguards" had been built into the legislation to protect the interests of the Indian pharmaceutical industry and prevent an inordinate rise in prices.

Members belonging to the Opposition National Democratic Alliance walked out protesting against the Government's failure to refer the Bill to a parliamentary standing committee. The Opposition, however, supported the Bill after most amendments suggested by them were incorporated into it. Two other amendments have been referred to an expert

committee.

Replying to the debate, Mr. Kamal Nath said the Bill which replaced an ordinance promulgated on December 23 to meet WTO obligations, would be further amended if the expert committee felt that more flexibility or safeguards were required on issues relating to new chemical entities and micro-organisms. The Bill provides for product patents in drugs, agricultural products and embedded software.

## Critical issues addressed

He said that certain critical issues raised by members had been dealt with in the legislation. For instance, in the case of compulsory licensing, there was a provision to revoke the patent in the public interest. Similarly, on the question of "evergreening" where the discovery of new properties for the existing drugs was concerned, new patents would not be allowed. He gave the example of aspirin which was earlier considered only as a painkiller but was now used as a blood thinning agent.

On the protection of traditional knowledge, he said that plants were completely out of the purview of the legislation.

As for pre-grant opposition, he said this was not there in the original legislation drafted by the NDA Government but had now been included in this Bill. Despite this inclusion, he said, the BJP was "lecturing" him about the need for tightening the provision. In fact, India was one of the few countries which had both pre-grant and post-grant opposition to patents.

In response to persistent demands from Opposition members for referring the Bill to a parliamentary standing committee, he said a Joint Parliamentary Committee had already deliberated on the Bill for two years and differences should, therefore, have been resolved by now.

## Why haste?

Bachi Singh Rawat, who initiated the debate on behalf of the Bharatiya Janata Party and his party colleague, Uday Singh, highlighted the fact that already

the grant of exclusive marketing rights to a Swiss pharmaceutical company had led to a phenomenal rise in the prices of anti-cancer drugs.

They also questioned the haste with which the Bill was being passed, and the fact that it was actually going beyond the commitments needed to be made under the TRIPs agreement.

Maneka Gandhi (BJP) agreed that the original Bill drafted by the NDA Government was a "bad law" and, therefore, not defensible. Pointing to the need for avoiding 'evergreening' of patents, she urged that it be considered by a Standing Committee, as a badly drafted Bill was worse than no Bill at all.

Pawan Kumar Bansal (Congress) said that not a single amendment had been suggested by the BJP even though the Government had held extensive discussions with all political parties. He described the new legislation as the need of the hour and that it would not have any adverse impact on drug prices.

# Realism at last

By signing on to the Patent Bill, the Left shows it can govern in the times of WTO

23/3  
S. B.  
THE compromise between the government and the Left to facilitate the passage of the Patents Bill is a laudable example of how legislation ought to be managed. The Patents Bill was long overdue. Such a bill was necessary for the creation of a regulatory framework for patents commensurate with the needs of a modern economy and for making India comply with WTO norms. While many of the fears of introducing a patent regime in accordance with WTO provisions were unfounded, there was nevertheless some doubt about the bill in the form in which it had been introduced. The Left was entirely correct in its worries about the bill. The bill as introduced had placed more restrictions on compulsory licensing of drugs than were enjoined by WTO provisions. It risked frittering away some of the hard won flexibilities India had argued for.

The WTO had rightly made provisions to enable any government to introduce compulsory licensing for any reason it deemed relevant to public health. This would ensure that generics continue to be available at low cost. Somehow our bureaucracy had once again managed to make this clearly straightforward provision hostage to numerous qualifications that were unwarranted. The bill had also needlessly made it difficult for companies to challenge the grant of patents before they were granted. He-

nce, reservations from both the Right and the Left. But the BJP resorted to its evasive tactics by insisting on the bill being referred to a select committee. This was disingenuous because the bill has been under discussion for more than five years and its initial drafts were artifacts of the NDA government. The BJP's repeated reversing of its own decisions is confining it to intellectual and policy irrelevance in Parliament.

There is supreme irony in the fact that the Left has finally come to the rescue of the bill. It has, candidly acknowledged that India has to work within the framework of the WTO. But it performed an enormously constructive role by ensuring that India took maximum advantage of the flexibilities offered by the WTO agreements. It has shown that there is no necessary incompatibility between prudent acceptance of globalisation and working for the interests of consumers. But it has also shown the value of constructive criticism over obstructionist parliamentary tactics. The Left has reiterated its stand that it still disagrees on a couple of issues like the protection granted to indigenous knowledge. But it has not let this disagreement stand in the way of passing the legislation. Instead it suggested some amendments. The bill was long overdue, and it is to the credit of the UPA that it at last looks as if it has cobbled a workable compromise.

# Centre accepts two changes in Patents Bill

By Our Special Correspondent

NEW DELHI, MARCH 21. The Patents Amendment Bill, which is seeking to replace the ordinance, is likely to become an Act with the Government accepting all but two of the amendments suggested by the Left parties.

The two areas, one relating to micro-organisms and the other, on definition of new entities — whether it be described as "chemical entity" or "medicinal

entity" — would be discussed by a technical committee to be set up by the Government.

In turn, the Left parties' support to the Bill came this evening after the Government agreed to move official amendments incorporating 10 of the 12 amendments suggested and discussed during protracted negotiations.

The chief whip of the Communist Party of India (Marxist), Rup Chand Pal, told *The Hindu*

that the Government would announce a technical committee and give its report in the second half of the Budget session.

The issue was clinched at a meeting between Union Ministers Pranab Mukherjee and Kamal Nath and the CPI (M) Polit Bureau member, S. Ramachandran Pillai, the Rajya Sabha leader, Nilotpal Basu and Mr. Pal. The Left parties would meet tomorrow on the subject, Mr. Pal said.

## BJP may go along with consensus on Patents Bill

By Neena Vyas

NEW DELHI, MARCH 21. The Leader of the Opposition in the Lok Sabha, L.K. Advani, indicated today that the Bharatiya Janata Party (BJP) and the National Democratic Alliance (NDA) could go along with a political consensus on the Patents Bill (which will replace the ordinance), now deferred by the Government till tomorrow.

A political party leader (not from the BJP), who was present at today's meeting of the NDA leaders, said: "Mr. Advani addressed the meeting and said that, after all, the Patents Bill was the very same one drafted by the NDA Government with some minor changes and perhaps the NDA should go along

with the political consensus."

Mr. Advani also said that the Minister for Trade and Commerce, Kamal Nath, had a detailed discussion with him on the Bill and he had emphasised that India had some international obligations to pass the legislation. Mr. Advani hinted that some more discussions could take place with the Government. A final decision on the NDA's attitude to the legislation will be taken tomorrow at yet another meeting ahead of the moving of the Bill for voting and adoption.

However, the BJP spokesperson, V.K. Malhotra, told the press that as of today the NDA was in favour of sending the Bill to the standing committee for a detailed discussion. He

said the NDA party whips had already asked all their members to be present and vote against the Bill. "We were also told that we should ask for division when voting takes place."

At the same time, Mr. Malhotra said the NDA's stand was valid "as of today" and he could not say what decision would be taken at tomorrow's meeting.

He said that after opposing the Bill, the Left parties held detailed discussions with the Government and, possibly, the Government has accepted some amendments suggested by them. The BJP would use the extra day "to study" what amendments had been accepted by the Government.

# Delhi is now all set for VAT

9  
20 APR  
12-1

227

By Our Staff Reporter

**NEW DELHI, MARCH 21.** Amid loud protests by Bharatiya Janata Party legislators, the Delhi Assembly today passed the Delhi Value Added Tax (Amendment) Bill, 2005, paving the way for implementation of this new tax regime from this coming April 1.

As soon as Finance Minister A.K. Walia rose in the House to move that the Bill be passed, the BJP MLAs led by the Leader of the Opposition, Jagdish Mukhi, were up on their feet demanding that the measure be withdrawn. Shouting that the proposed new tax system was "anti-traders", the MLAs then trooped into the well of the House holding aloft papers boldly proclaiming that if VAT is not implemented in other States, it would not come to Delhi too.

When despite repeated warnings from the Speaker, Prem Singh, the Opposition MLAs continued to shout slogans and disrupt the proceedings, the marshals were called in to remove them.

The BJP protests came just two days after the party's central leadership declared that none of the BJP-ruled States in the country would go in for VAT from April 1 as it would not be wise to do so until all the other States had enacted legislation to this effect and showed their willingness to join this new tax regime, which seeks to cut down on corruption, simplify taxation and check evasion.

Once the BJP members had been expelled from the House for the day, Dr. Walia quickly moved the Bill and it was unanimously passed by a voice vote without any discussion.

In the Bill's statement of objectives and reasons, Dr. Walia

said "the Delhi Value Added Tax Act, 2004, is proposed to be amended to incorporate certain provisions aimed at hassle-free migration of the existing dealers to the VAT regime, enlarging the scope of the composition scheme, incorporating the scheme of deduction at source in respect of works and contracts".

Also, while in the earlier Act the maximum limit of composition scheme was Rs. 25 lakhs, the new amendment raises it to Rs. 50 lakhs as per a suggestion by the Empowered Committee of the State Finance Ministers.

A provision for deduction of tax at source at the time of making payment to contractors has also been incorporated into the amendment to ensure better compliance and collection of tax and for safeguarding government revenue.

The amendment also intends to make migration of existing dealers hassle-free. Now all the dealers registered under the Delhi Sales Tax Act, 1975, the Delhi Sales Tax on Works Contract Act, 1999, and the Delhi Sales Tax on Right to Use Goods Act, 2002, will stand automatically migrated to the VAT regime as deemed registered dealers regardless of their turnover. The amendments will also empower the VAT authorities to make assessment of dealers who are liable to pay tax and to get registered but fail to do so.

Dr. Walia said Delhi was now ready to implement VAT from April 1 as the new tax regime had many advantages. "Over 130 countries across the world have VAT and even our neighbours -- Pakistan, Nepal and Bangladesh -- follow this model," he said, hoping that the BJP-ruled States too "would see reason and give up their political position for a rational one".

# Patents debate put off

## BJP issues whip to vote against proposed Bill

HT Correspondent  
New Delhi, March 21

RATTLED BY opposition from within its alliance partners — the RJD and the Left parties — in the Lok Sabha, the Centre on Monday deferred a discussion on the contentious Patent (Amendments) Bill till Tuesday. Hectic backroom activity continued late into the night to assuage the misgivings of these opponents from within the ruling combine to face a direct challenge from the BJP-led NDA.

In its bid to confront the government head-on, the BJP and its allies issued a whip to its members to be present in the House to vote against the proposed legislation in the event of a division. A decision to this effect was taken by the NDA parties at a meeting chaired by Leader of the Opposition L.K. Advani.

Advani expressed the NDA's

### Congress appeal

THE CONGRESS appealed to the Opposition parties to keep the Patents Bill above "partisan" politics and allow its passage in the Lok Sabha on Tuesday. This, it felt, was in the larger interests of the country.

PTI, New Delhi

strong reservations over the manner that the Patent (Amendment) Bill was being pushed through by the UPA government. Raising his objections soon after the House reassembled on Monday after lunch, he reiterated the NDA's stand that the fresh amendments be referred to Parliament's Standing Committee — to be taken up soon after the House met af-

ter the Budget session recess.

Making a pointed reference to several questionable provisions of the Bill — especially those relating to life-saving drugs — he maintained that the MPs had not been given time to study the embedded proposals.

Several prominent NDA members, such as Yerran Naidu (TDP), Prabhunath Singh (JD-U), Mamata Banerjee (Trinamool Congress), Brijia Kishore Tripathi (BJD) and Maneka Gandhi (BJP), also sought time to take a close look the amendments, which were set to impact the nation in a big way.

That apart, the government was pushed to the corner, with the Left parties and RJD, besides BSP members, contending that the Bill be postponed to enable the members to study the amendments.

Later, BJP's V.K. Malhotra charged the Left with bargaining even as their public posture belied such tactics.



# নতুন আর্থিক বছরে অনেক সহজ হচ্ছে আয়করের হিসাব

অমিতাভ গুহ সরকার

চলছে আর্থিক বছরের শেষ মাস। এই মাসেরও আমরা পেরিয়ে এসেছি দুই-তৃতীয়াংশ সময়। হাতে আছে আর মাত্র ১০টা দিন। কর সাশ্রয়ের ব্যাপারে এখনও যাঁদের কিছু করা বাকি আছে, তাঁদের তা করে ফেলতে হবে এই শেষ ক'দিনে। এর পরেই দৃষ্টি প্রসারিত করতে হবে আগামী আর্থিক বছরের দিকে। ব্যক্তিগত ক্ষেত্রে কর ব্যবস্থায় আমূল পরিবর্তন আসছে আগামী বছর থেকে। সন্দেহ নেই অনেক সরল এবং সহজবোধ্য হবে এই ব্যবস্থা। কর সাশ্রয়কারী বিভিন্ন প্রকল্পকে আনা হবে এক ছাতার তলায়। অন্য দিকে অপসারিত হবে স্ট্যান্ডার্ড ডিডাকশন, ৮৮ এবং ৮০এল ধারায় করছাড়ের সুবিধাগুলি। ফলে করের হিসাব করতে খুব বেশি যোগ-বিয়োগের প্রয়োজন হবে না। কর সাশ্রয়কারী প্রকল্পগুলি এ বার থেকে এসে যাবে ৮০সি নামে মাত্র একটি ধারার অধীনে। এই প্রকল্পগুলিতে সব মিলিয়ে বছরে অনধিক এক লক্ষ টাকা লগ্নি বাদ দেওয়া হবে মোট আয় থেকে।

তুলনামূলক ভাবে ৮৮ ধারার থেকে ৮০সি ধারায় কয়েকটি অতিরিক্ত সুবিধা পাওয়া যাবে। এই ধারার অধীনে বিভিন্ন প্রকল্পে লগ্নি করে নামিয়ে আনা যেতে পারে প্রযোজ্য করের হারকে। যেমন কারও মোট আয় যদি ৩.৫ লক্ষ টাকা হয় এবং তিনি যদি ৮০সি ধারায় ১ লক্ষ টাকা সঞ্চয় করতে পারেন, তবে তাঁকে আর ৩০ শতাংশ হারে কর দিতে হবে না। কারণ, এ ক্ষেত্রে তাঁর করযোগ্য আয় নেমে আসবে ২.৫ লক্ষ টাকায়। এ বারের বাজেট প্রস্তাব অনুযায়ী ১.৫ লক্ষ টাকা থেকে ২.৫ লক্ষ টাকা পর্যন্ত আয়ের উপর করের হার হবে ২০ শতাংশ। দ্বিতীয়ত, ৮০সি ধারার অধীনে বিভিন্ন প্রকল্পে লগ্নির কোঁনও আলাদা আলাদা উর্ধ্বসীমা রাখা হয়নি, যা ৮৮ ধারার অধীনে কোনও কোনও প্রকল্পে ছিল। অর্থাৎ করদাতারা এ বার থেকে বাধ্যতামূলক ভাবে নয়, নিজের প্রয়োজন মতো এক বা একাধিক প্রকল্পে লগ্নি করে এক

দিকে যেমন কর বাঁচাবেন, অন্য দিকে তেমন নিজের আর্থিক পরিকল্পনার সার্থক রূপায়ণ করতে পারবেন। যেমন ৮৮ ধারায় গৃহস্থ পরিশোধ বাবদ বছরে ২০ হাজার টাকার উপর পাওয়া যেত কর ছাড়ের সুবিধা। ৮০সি ধারার অধীনে ২০ হাজার টাকার এই উর্ধ্বসীমা অপসারিত হওয়ার ফলে অনেকেই বেশি মাত্রায় গৃহস্থ পরিশোধ করে এই ধারায় কর ছাড়ের সুবিধা নিতে পারবেন। ৮০সি ধারার অধীনে সঞ্চয় প্রকল্প বা খরচের পৃথক পৃথক উর্ধ্বসীমা না-থাকার কারণে অনেকেই হয়তো আগের তুলনায় বেশি অঙ্কের গৃহস্থ নিতে উদ্বুদ্ধ হবেন। কারণ কেউ ইচ্ছা করলে ১ লক্ষ টাকা পর্যন্ত পুরোটাই গৃহস্থ পরিশোধ বাবদ খরচ করে ৮০সি ধারায় কর বাঁচাতে পারেন। এ ছাড়া গৃহস্থে সুদ বাবদ বছরে ১.৫ লক্ষ টাকা পর্যন্ত ছাড় বহাল থাকছে। অর্থাৎ সব মিলিয়ে বছরে ২.৫ লক্ষ বা মাসে সুদ-আসল বাবদ প্রায় ২১ হাজার টাকা গৃহস্থ পরিশোধ করে আগামী বছর থেকে মোটা টাকা করছাড় পাওয়া যেতে পারে।

আগামী আর্থিক বছর থেকে ৮০এল ধারায় বিভিন্ন প্রকল্পে সুদের উপর আর কোনও করছাড় থাকছে না। অর্থাৎ পি পি এফ বাদে বাকি সব প্রকল্পই করযোগ্য হবে ১ এপ্রিল থেকে। করের দিক থেকে আগামী বছর হয়তো বেশি আকর্ষণীয় হয়ে উঠবে মিউচুয়াল ফান্ডের ইকুইটি লিঙ্কড সেভিংস প্রকল্প এবং ৫ বছরের বেশি মেয়াদের বিমা প্রকল্পগুলি।

মিউচুয়াল ফান্ডের ডিভিডেন্ডের উপরে প্রাপককে কোনও কর দিতে হয় না। এ ছাড়া মিউচুয়াল ফান্ডে লগ্নিতে সুযোগ আছে মূলধনী লাভকর বাঁচানোর। ৮০সি ধারায় লগ্নির ১ লক্ষ টাকার মধ্যে মিউচুয়াল ফান্ডে লগ্নির জন্য আলাদা উর্ধ্বসীমা না-থাকায় অনেকেই হয়তো আগের তুলনায় অধিক মাত্রায় বুঁকবেন মিউচুয়াল ফান্ডের ই এল এস এস প্রকল্পে লগ্নি করতে। অতীত অভিজ্ঞতা থেকে দেখা যায়, এই ধরনের প্রকল্পে দীর্ঘ সময়ের জন্য নিয়মিত লগ্নি করে গেলে তা

তেজী বাজারে ভাল লাভের সুযোগ করে দেয়। ৮৮ ধারায় মিউচুয়াল প্রকল্পে লগ্নির বাৎসরিক উর্ধ্বসীমা ছিল ১০ হাজার টাকা।

আবার ফিরে আসা যাক পি পি এফের কথায়। এই জনপ্রিয় প্রকল্পের সুদ এখনও করমুক্ত। ভবিষ্যতে হয়তো নাও থাকতে পারে। অন্যান্য কিছু প্রকল্পের সঙ্গে এই প্রকল্পটিকেও ভবিষ্যতে আনা হতে পারে 'ই ই টি' ব্যবস্থার অধীনে। অর্থাৎ টাকা জমা করলে কর ছাড় পাওয়া যাবে ৮০সি ধারায়। সুদের উপরও হয়তো তাৎক্ষণিক ভাবে থাকবে না কোনও কর, কিন্তু যখন এই টাকা তোলা হবে, তখন তা যুক্ত হবে সংশ্লিষ্ট সঞ্চয়কারীর আয়ের সঙ্গে, যার উপর তাঁকে কর দিতে হতে পারে। প্রস্তাবিত এই 'ই ই টি' ব্যবস্থা আশা করা যায় অতীত জমার উপর প্রযোজ্য হবে না। এই সুযোগ নিতে ২০০৪-'০৫ আর্থিক বছরে যাঁদের কর বাঁচানোর জন্য ৮৮ ধারায় পুরো সঞ্চয় এখনও করা হয়নি, তাঁরা আগামী ১০ দিনের মধ্যে পি পি এফ অ্যাকাউন্টে অনধিক ৭০ হাজার টাকা জমা করলে এক দিকে যেমন কর বাঁচাবেন, অন্য দিকে এই লগ্নির সুদের উপরে ভবিষ্যতে হয়তো তাঁকে কর দিতে হবে না। কারণ ৩১ মার্চ পর্যন্ত জমাকে ই ই টি প্রকল্পের বাইরে রাখা হবে বলে আশা করা যায়।

কোন কোন প্রকল্প ই ই টি ব্যবস্থার অধীনে আসবে, তা স্পষ্ট জানা গেলে আগামী বছরের জন্য সঞ্চয় পরিকল্পনা ছকে ফেলতে পারবেন করদাতারা। যাঁদের মোটা গৃহস্থ নেওয়া আছে এবং বেতন থেকে পি এফ বাবদ ভাল টাকা কাটা হয়, তাঁদের হয়তো ৮০সি ধারায় কর বাঁচানোর জন্য খুব বেশি সঞ্চয় করতে হবে না। ই ই টি ব্যবস্থা কবে থেকে চালু হবে, তা এখনও স্পষ্ট নয়। তবে প্রস্তাবকে মাথায় রেখেই ভাবতে হবে আগামী বছরের কর পরিকল্পনার কথা। প্রস্তাবে ই ই টি ব্যবস্থা চালু করার ব্যাপারে একটি বিশেষজ্ঞ কমিটি নিয়োগ করার কথা বলা হয়েছে। এই ব্যাপারে সরকার দ্রুত সিদ্ধান্ত নিলে সুবিধা হয় সঞ্চয়কারীদের।

# BUSINESS REVIEW

## Frequently asked questions on VAT

*The Confederation of Indian Industry has sought to clarify doubts and apprehensions in respect of State-level value added tax in this FAQ exclusive to The Hindu.*

**QUESTION: Will VAT increase the cost of compliance?**

**ANSWER:** No. The cost of compliance will come down due to self-assessment as dealers will not have to approach the department for statutory forms or for assessment.

**Will the cost of doing business go up as dealers will have to pay tax on their purchases?**

No. If we assume that the average time required for settling amounts receivable and payable is the same as the time for remitting tax and processing any refund, no additional cost is imposed on trade or industry.

**Will prices go up due to VAT and will the consumer suffer?**

No. As against three slabs of 4, 8 and 12 per cent in the present regime VAT will have only two major slabs of 4 and 12.5 per cent; some commodities falling in the 8 per cent slab will come down to the 4 per cent slab, bringing the prices down. Further, input tax credit and credit allowed for purchase of capital goods should reduce the effective selling price.

**Will input tax credit be available on capital goods used in the execution of works contract?**

Yes. Input tax credit will be available on capital goods purchased after April 1, 2005 for execution of works contracts in NCT of Delhi subject to conditions. However, in case a dealer, after availing tax credit, transfers the assets/capital goods, on which he had availed tax credit, out of NCT of Delhi for executing other works not liable to be taxed in Delhi, the credits so allowed shall be reversed and tax will have to be paid on such transfer of capital goods/assets. The tax so payable shall be

equivalent to the unutilised portion of tax credit allowed by the department less tax payable at usual rates on such transfer or sale.

**Levy of tax**

**Is it possible to avail credit for taxes paid on inputs if the goods are sold in another State or are exported?**

Purchases intended for inter-State sale as well as exports are eligible for tax credit in excess of 4 per cent CST.

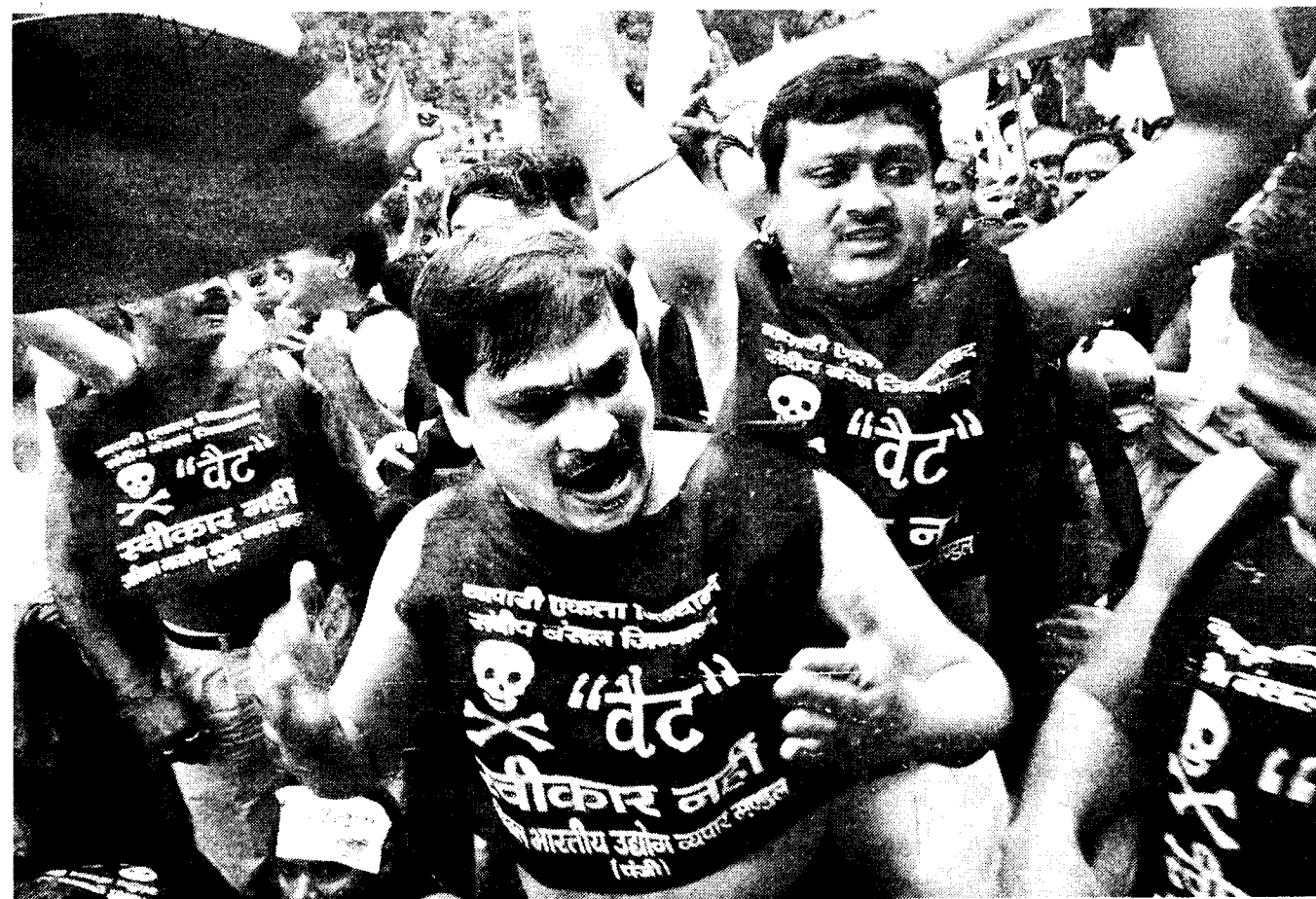
**If the input is used partly for making taxable goods and partly for exempted goods, will input tax credit be available?**

Where inputs are partly used for making taxable goods (or inter-State sales) and partly for making exempt goods, the tax credit shall be reduced proportionately. To illustrate, X purchased machinery for Rs. 1 lakh and paid a tax of Rs. 12,500 on it and used it in the manufacture of taxable as well as exempted goods. At that time, he estimated that the share of taxable goods made by the machinery would be 80 per cent. In this case, his input tax credit will be restricted only to 80 per cent of Rs. 12,500 or Rs. 10,000.

**How is input tax credit to be claimed? Is there any requirement of a 'one to one' correlation between input tax and output tax?**

There is no need for a 'one to one' correlation between input tax credit and output tax. Quite a number of small businesses are under the misconception that input tax has to be adjusted against output tax on a bill to bill basis.

The operation of the input tax mechanism is simple. The dealer will be eligible to take credit for the eligible input tax in a tax period as specified on the entire purchases. He will charge VAT at the prescribed rate as is done in the present system for levy of sales tax. The VAT or output tax payable is compiled on a monthly basis as is done now. The dealer can adjust the input tax eligible on the entire purchase in the tax period against the output tax payable irrespective of whether the entire goods purchased are sold or not. For example, if the input tax credit



**VEXATIOUS ALTERNATIVE TAX?:** Sections of trade are up in arms against the proposal to introduce value added tax at the State level, unconvinced by the arguments of economists and policymakers. — AP

in a particular month is Rs. 1,000 and the output tax payable is Rs. 500, the excess input tax of Rs. 500 can be carried forward to the next tax period. Assuming no further input tax credit in the following month and that the output tax payable is Rs. 700 the dealer will pay Rs. 200 along with the monthly return.

**What is the applicable rate of tax on packing materials as outputs?**

Packing material or containers are always sold with some goods packed or contained in it. No separate rate of tax is applicable on sale of such packing material/container. The rate of tax applicable to the goods packed in such packing material will be the rate of tax applicable on this packing material. Where such goods are exempted from

tax, the packing material/container will also be exempt from tax.

**Can input credit on packing material be availed on use of petroleum products?**

The eligibility for input tax credit on packing material also depends on the item packed therein. In case items packed therein are not eligible for input tax credit under certain circumstances, such credit will not be available on the packing material as well.

**Is there any restriction for availing input tax credit depending on the manner of disposal of goods, say, as free gifts or on stock transfer?**

Yes. Input tax credit will be available on output tax payable on sales within the State and on inter-State sale. Restricted input tax credit is available on

stock transfer/consignment despatches outside the State.

**How can a dealer adjust the input tax against output tax when he makes taxable and exempt supplies? Will the input tax credit relating to exempt supplies lapse?**

If the purchases are used partly for making taxable supplies, input tax credit shall be allowed proportionate to the extent they are used for that purpose. However, no input tax credit is allowed on the portion used for making exempt goods.

**Is there any tax liability on scrapping a capital asset on which input tax credit has been availed? What will be the tax implication on sale of such scrapped machines?**

Tax will be levied on the sale of scrapped machines. However, the tax liability is subject to

being set off against any credit that may be available in the assessee's account.

**What amount will be available as input tax credit in case machinery is used for manufacture of taxable goods as well as exempted goods?**

The input tax credit will be available on a proportionate basis.

**What should be done by a purchasing dealer to return rejected goods to the seller? What happens in case such a dealer is not registered under the State VAT Act?**

In case the buying dealer is registered under the VAT Act, he shall, on returning the goods, issue to the selling dealer a duly signed delivery cum debit note (DDN).

In case the buying dealer rejecting the goods is not a regis-

tered dealer under some other State and did not issue the DDN in respect of goods returned by him, the selling dealer may issue a credit note in respect of goods so returned to him and deduct the value of such goods from his gross turnover.

The selling dealer, in this case, may be asked by the authority to furnish evidence of the receipt of goods back by him, credit of the amount of such rejection of goods to the account of the purchaser of goods and payment thereof to him.

**Is input tax credit available on goods stock transferred? If ineligible, will the input tax credit relating to such goods lapse?**

VAT Act provides for no input tax credit on goods despatched on stock transfer. However, if the goods have been purchased locally on payment of tax and subsequently stock transferred after taking input tax credit, the input tax credit shall have to be reversed to the extent of 4 per cent.

**Special regime**

**Can input tax credit be claimed on stock of goods on the date of implementation of VAT?**

All taxed stock purchased between April 1, 2004 and March 31, 2005 will be eligible for input tax credit.

**Will input tax credit be available on purchase of second hand machinery?**

Yes. The requirement of law in respect of purchase of second hand machinery is the same as for new machinery. If the purchase of second hand machinery otherwise satisfies all other requirement of availability of input tax credit, the credit will be available.

**What is the composition scheme? What are the benefits for small dealers?**

If the taxable quantum of a dealer does not exceed Rs. 25 lakhs in a year, and the dealer does not import or export goods or makes inter-State sales or purchases goods from an unregistered dealer, the dealer can opt for the composition scheme.

Under this scheme, he needs to pay only 1 per cent of the taxable turnover and he need not maintain detailed accounts.

**What is fair market value and how is it calculated?**

If sales or purchases are under or over invoiced, the department can subject the same to a fair market value assessment of the consideration to account for or for computing the input or output tax liability. It shall be recomputed on an arm's length principle.

**Payments and refunds**

**Can a dealer whose input tax credit exceeds the output tax payable in a tax period or in a year claim refund of the excess credit?**

Yes. The dealer can claim the excess. Since the rate of tax on input and sales is the same in the case of a dealer, there will only be value addition and there may not be a situation where the input tax credit exceeds the output tax payable.

**What are the circumstances in which refund of input tax credit is permissible?**

Refund of input tax credit is normally permissible in the case of a zero rated sale. Exports are zero rated sales.

The input tax credit liable to the export sales will be eligible for refund. Refund may also arise in case input tax credit exceeds tax liability.

Readers may send in their questions, if any, on VAT to:

The Regional Director,

Confederation of Indian Industry, Southern Region,  
98/1 Velacherry Main Road, Guindy, Chennai 600 032

or by

Email: [cii.south@cionline.org](mailto:cii.south@cionline.org) Fax : 044-52444510.

The response to questions will be published

in these columns on March 28.

7.8.08/13  
#10-7  
29/3

# VAT not from April 1, say BJP-ruled States

By Our Staff Correspondent

**NEW DELHI, MARCH 19.** The Bharatiya Janata Party-ruled States today decided not to implement the Value Added Tax from April 1 unless it is made uniformly applicable to all the States and preparatory steps are taken for its adoption.

The decision was taken here today at a meeting of the Chief Ministers and the Finance and Commercial Tax Ministers of the BJP-ruled States to discuss the implementation of VAT.

Barring the Gujarat Chief Minister, Narendra Modi, the Chief Ministers of the remaining four BJP-ruled States were present at the meeting chaired by the party president, L. K. Advani.

The meeting also suggested a proper road map for phasing out the Central Sales Tax (CST) and a clear policy for compensating the monetary loss of the States as a result of the abolition of

Sales Tax.

"At present, the legislative preparations made in various States are at different stages and it seems unlikely that VAT can be introduced in the entire country. Piecemeal introduction of the new tax will be undesirable, particularly if States such as Uttar Pradesh and Tamil Nadu do not implement it," the former Union Finance Minister and BJP spokesperson, Yashwant Sinha, told reporters after the meeting.

He said the Centre itself had admitted in the Rajya Sabha last week that Uttar Pradesh, Tamil Nadu, Chandigarh, Uttaranchal, Himachal Pradesh, Nagaland and Mizoram were yet to draft the new legislation.

## "Set new date"

Mr. Sinha said the Centre should set a new date for implementation of VAT only after all the States were ready for it. "Except Jharkhand, which was in an

election-mode, other BJP-ruled States are ready for the implementation of VAT. But if the neighbouring States do not implement it simultaneously, it will create confusion and chaos as had happened earlier," Mr. Sinha said.

## 'Progressive system'

Reiterating the importance of VAT as a "progressive tax system," the meeting said that it was not clear whether the information system and the procedures had been fully created so that taxpayers could obtain exemptions and set-offs easily. Officials also needed to be adequately trained. It recalled the measures taken by the National Democratic Alliance Government to encourage a consensus about reforms among the States, the manufacturing and the trading communities and the general public.

VAT had been introduced by

the NDA, and is to replace Sales Tax.

Expressing concern over the difficulties that will be experienced in the four years during which the VAT and Central Sales Tax will co-exist, the meeting said that with a more liberal approach the Centre could mitigate the States' difficulties.

"There is a need to create a consensus and general atmosphere of support for the new tax," Mr. Sinha said.

The former BJP president, Venkaiah Naidu, and the former Finance Minister, Jaswant Singh, were also present at the meeting.

The Chief Ministers of Rajasthan (Vasundhara Raje Scindia), Madhya Pradesh (Babulal Gaur), Jharkhand (Arjun Munda) and Chhattisgarh (Raman Singh) attended the meeting. Gujarat was represented by its Finance Minister, Vajubhai Vala.

# Delhi steps on the gas, in spite of US

**PRANAY SHARMA**

**New Delhi, March 18:** India has decided to go ahead with the proposed gas pipeline with Tehran despite the US's concerns over Iran.

Delhi is also hopeful that if everything goes according to schedule, India, Pakistan and Iran will be able to sign a trilateral "overarching" agreement on the project by the middle of this year.

US secretary of state Condoleezza Rice had raised America's concerns over Iran during her recent visit to Delhi.

But sources said that at no point did Rice or any other US official raise any objection to

the project. Also, "neither US ambassador David Mulford nor Condoleezza Rice has asked the government to go slow on the proposed gas pipeline", said a senior South Block official.

He pointed out that Rice had only told the Indian leadership about Washington's concerns over Iran. "Though we do not agree with the US analysis, we allowed them to raise their concerns."

The official was quick to add that "it should not be interpreted as India accepting the US's views on Iran and West Asia, as the two sides differ sharply on these issues".

That the two sides could go ahead with other aspects of

their bilateral relations despite the differences on Iran indicated the maturity in India-US ties.

An Indian delegation, led by foreign ministry additional secretary Talmiz Ahmed, had visited Tehran between March 5 and 6 for techno-economic discussions. Another meeting there is likely at the end of next month to firm up both sides' positions on the project.

A team of Pakistani officials is also scheduled to be in Tehran in the next few weeks for conducting similar discussions with its Iranian counterpart.

The plan is for the three countries to meet, probably in

Islamabad, by this summer and sign a trilateral agreement.

India has made it clear that it is keen on signing an agreement with Iran while the latter can sign a separate agreement with Pakistan because Delhi is not dealing directly with Islamabad in getting the gas.

But to boost investor confidence, India is willing to sign with Pakistan and Iran an "overarching" agreement that will clearly indicate the three governments' commitment to the pipeline project.

After the last meeting in Tehran, there are four aspects on which India is concentrating to ensure that everything is in place when a formal

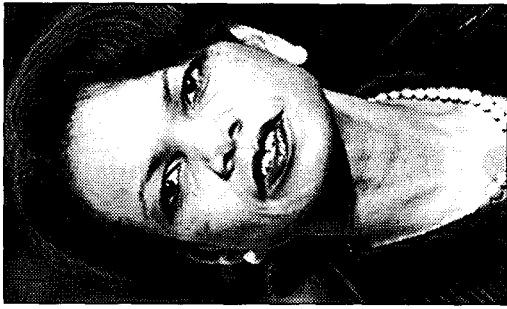
agreement is signed.

The queries pertain to the technical aspects of the pipeline, its length, the distance it will travel, and the route it will take to reach India.

India also wants to know the price at which Iran will sell the gas and whether it would be attractive enough to Delhi.

Further, it wants to clarify legal questions on the laws that will come into play in a dispute and the authority that will bring about an arbitration.

The Indian establishment also wants to ensure that the pipeline will not force it to compromise on national security.



Rice: Concerned

দৈনিক ৫ লক্ষ ব্যারেল উৎপাদন বাড়াতে রাজি ওপেক

## তেলের দাম এখনই বাড়াচ্ছে না কেন্দ্র

নয়াদিল্লি ও ইস্তানবুল, ১৬ মার্চ: বিশ্ব বাজারে অশোধিত তেলের মূল্যবৃদ্ধি ঠেকাতে উৎপাদন বাড়াতে রাজি হয়েছেন ওপেকভুক্ত দেশগুলির তেলমন্ত্রীরা। এ দিকে ভারতে তেলের দাম এখনই বাড়ানো হচ্ছে না বলে সাফ জানিয়ে দিয়েছেন পেট্রোলিয়াম মন্ত্রী মণিশঙ্কর আইয়ার।

বিশ্ব বাজারে তেলের চড়া দাম এবং কেন্দ্রীয় সরকার তেলের উপরে উৎপাদন শুল্ক বাড়ানো সত্ত্বেও, দেশে অদূর ভবিষ্যতে পেট্রোল-ডিজেলের দাম বাড়ানোর কোনও সম্ভাবনা নেই বলে আইয়ার জানিয়েছেন। তবে ওপেক উৎপাদন বাড়ানোর পরিস্থিতিতে বিশ্ব বাজারে আজ অশোধিত তেলের দাম কমেছে। নিউ ইয়র্কে তা নেমে আসে ব্যারেলে ৫৪.৬৩ ডলারে। লন্ডনে তা দাঁড়ায় ৫৩.৪১ ডলারে।

মার্চে আন্তর্জাতিক বাজারে অশোধিত তেলের দাম বেড়ে ব্যারেল প্রতি ৫৪ ডলারে পৌঁছে গিয়েছিল। এর উপরে এ বারের বাজেটে অর্থমন্ত্রী পি চিদম্বরম পেট্রোল-ডিজলে উৎপাদন শুল্ক বাড়িয়ে দেওয়ায় বাড়তি আর্থিক বোঝা তেল সংস্থাগুলিকেই বহন করত



মণিশঙ্কর আইয়ার।— ফাইল চিত্র

হচ্ছে, কারণ তা ক্রেতাদের ঘাড়ে চাপানো হয়নি। এ ছাড়া ২০০৫-০৬ সালের বাজেটে লিটার প্রতি পেট্রোল-ডিজলে রোড-সেস ৫০ পয়সা থেকে বাড়িয়ে ২ টাকা করে দেওয়ার ফলেও চাপ পড়েছে এই দুই জ্বালানির উপরে। এরই পরিস্থিতিতে লিটার প্রতি পেট্রোলের দাম অন্তত ২.৮৫ টাকা এবং ডিজেল ১ টাকা বাড়ানো প্রয়োজন

বলে মনে করা হচ্ছে।

কিন্তু অন্তত মার্চ মাসে এই দাম বাড়ছে না বলে জানিয়েছেন আইয়ার। তিনি বলেন, “এ ব্যাপারে কেন্দ্রীয় মন্ত্রিসভার কাছে যেতে হবে। তেলের দাম নিয়ে আমার মন্ত্রক প্রস্তাব চূড়ান্ত করে, তা মন্ত্রিসভার কাছে পেশ করবে। এর পরে সিদ্ধান্ত নেবে মন্ত্রিসভাই।” এ দিকে, আজ এখানে

পেট্রোলিয়াম রফতানিকারী দেশগুলির সংগঠন ওপেক-এর বৈঠক বসেছিল। ওই বৈঠকেই আগামী ১ এপ্রিল থেকে সদস্যেরা দৈনিক ৫ লক্ষ ব্যারেল বাড়াতে সম্মত হয়েছে। বর্তমানে এই উৎপাদন ২ কোটি ৭০ লক্ষ ব্যারেল।

গতকালই ওপেকের সভাপতি শেখ আমেদ ফাদ আল আমেদ আল সাবা তেলের উৎপাদন দিনে ৫ লক্ষ ব্যারেল হিসাবে বাড়ানোর প্রস্তাব দেন। তিনি কুয়েতের তেলমন্ত্রীও। কার্যত সাবার প্রস্তাবকে মর্যাদা দিতেই আজ উৎপাদন বাড়ানোর সিদ্ধান্ত নেওয়া হয়েছে বলে ওপেক সূত্রের খবর।

ওপেক সদস্য দেশের এক মন্ত্রী বলেন, ওপেকের পরবর্তী বৈঠক হবে ৭ জুন, ভিয়েনায়। ইরাক ওপেকভুক্ত হলেও, সেখানে পুনর্গঠন চলছে বলে ওপেকের কোটা থেকে ওই দেশকে বাদ রাখা হয়েছে।

অয়েল ইন্ডিয়া। অয়েল ইন্ডিয়া লিমিটেডে ১৫ শতাংশ সরকারি শেয়ার বিক্রির কথা ভাবছে কেন্দ্র। পেট্রোলিয়াম মন্ত্রী মণিশঙ্কর আইয়ার এ কথা জানিয়ে বলেন, কত শেয়ার কী ভাবে বিক্রি করা হবে, তা নিয়ে এখনও কোনও সিদ্ধান্ত হয়নি।—এপি, পিটিআই

## 'Patents Bill against country's interests'

By Our Special Correspondent

NEW DELHI, MARCH 16. The Bharatiya Janata Party today admitted that the Patents Bill the United Progressive Alliance wants Parliament to adopt was "the same as drafted by the National Democratic Alliance government [of Atal Bihari Vajpayee], but it was against the country's interests [*desh ke hit mein nahin hai*]" and the party would oppose it.

The party spokesperson, V.K. Malhotra, made it clear that the NDA would demand that the bill to replace the ordinance issued by the UPA government late last year be sent to a standing committee or a joint select committee before being taken up for legislation.

He admitted that the bill was "the same as drafted by the NDA Government," but described it as "against the country's interests" vis-a-vis agriculture and pharmaceuticals. Reporters asked Mr. Malhotra why the NDA Government had drafted a bill it was opposed to (and the Commerce Ministry in the NDA Government was held by the BJP), and why it had drafted a bill that would hurt India's interests in agriculture and med-

icines. His response was that the bill was meant to be circulated for discussion.

Privately, however, BJP leaders admit that the party wants to use the differences between the Congress and the supporting Left parties on the Patents Bill to embarrass the Government and force it to back out on this legislation. Without the support of the Left, the UPA may find it difficult to get the legislation through, especially now that the BJP has made it clear it would oppose the bill.

Mr. Malhotra said the BJP would raise in Parliament tomorrow the Home Minister's failure to to lay the Nanavati

Commission report into massacre of Sikhs in 1984. "The Home Minister had promised to lay the report in the House and this has not been done," he said.

The Congress spokesperson, Anand Sharma, retorted at a separate press conference that the Home Minister would certainly keep his promise of laying the report in the House, but "certain procedural matters have to be completed first." Apparently, the Government first wants to take certain steps and then lay the report along with the action taken report as required under normal procedures.

THURSDAY, MARCH 17, 2005

## STAND FIRM ON THE IRAN PIPELINE

THE STATEMENTS OF "concern" made by U.S. Secretary of State Condoleezza Rice on the proposed gas pipeline from Iran to India represent the first time the United States has gone public with its opposition to the energy project. Dr. Rice gave vent to the Bush administration's "concerns" about Iran and the pipeline at a press conference in New Delhi on Wednesday; she also announced Washington's views had already been communicated by the U.S. Ambassador in India and that she had herself raised the Iran question in her discussions with External Affairs Minister Natwar Singh. The language Dr. Rice employed was subdued — in keeping with her professorial, even diplomatic mien — and her disapproval was tempered by soothing words about the possibility of India entering into an "energy dialogue" with the U.S. Nevertheless, her message was clear and unambiguous — that Washington does not want the project to go ahead. How the Manmohan Singh Government reacts will represent the first real test of the United Progressive Alliance's promise of pursuing an independent foreign policy.

For India, the Iran pipeline is — to employ North American argot — a no-brainer. Specifically, it offers a number of advantages. First, the import of natural gas from Iran is a vital element in India's quest for energy security. Secondly, the pipeline project opens up a new and potentially exciting chapter in the bilateral relationship between Islamabad and New Delhi. Each side gets an economic stake in the other and this can only engender stability and predictability in the political equation. Thirdly, the Iran-Pakistan-India pipeline grid can be extended into Turkmenistan to allow Central Asian and Caspian gas to flow in. Finally, the grid could also be extended eastward from India to northern Myanmar and China's Yunnan province, thereby tying India, China, Pakistan,

Iran, and Central Asia into a common energy network that would lower costs of transportation all round. India would be most unwise to give up all this and more for the chimera of an "energy dialogue" with a country that continues to deny it technology, equipment, and fuel for its civilian nuclear industry. *J. P. Co. Khan*

Assuming that the Manmohan Singh Government will stand firm — as it must, given its national interest — the U.S. will no doubt pressure Pakistan to back out. Islamabad is vulnerable to Washington's threats and blandishments for a variety of reasons. If the Musharraf Government backs out under pressure, it will undermine not just the momentum of the India-Pakistan peace process but also the energy security of Pakistan. There is, of course, an even larger issue at stake, which neither India nor Pakistan can afford to ignore: the Bush administration's hostile policy towards Teheran and the implications this hostility has for the South Asian and Southwest Asian region. Iran may or may not have nuclear weapon ambitions and there is currently a negotiation process under way between the European Union Troika and the Iranian authorities over a plan to clear up misgivings about uranium enrichment. However, each time Washington issues threats or attempts to tighten its economic boycott of Iran, it reduces that country's incentive to cooperate. Although the U.S. seems hell-bent on effecting "regime change" in Teheran through sanctions or military means, India must counsel its "strategic partner" to follow a policy of restraint, rapprochement, and engagement. A secure and self-confident Iran that is involved in regional and international economic linkages would have no incentive to go down the nuclear path. India and Iran are close friends and do not need the benediction of the U.S. to do business with each other. The peace pipeline must proceed and New Delhi must let Washington know where it gets off.

# বামেরা নারাজ, পেটেন্ট বিল পাশ করাতে বিজেপির দ্বারস্থ কেন্দ্র

স্টাফ রিপোর্টার, নয়াদিল্লি, ১৬  
মার্চ: হাতে আর মাত্র একটা সপ্তাহ।  
তার মধ্যে পেটেন্ট সংক্রান্ত অর্ডিন্যান্স  
সংসদে পাশ না-হলে আন্তর্জাতিক  
বিশ্বকে দেওয়া প্রতিশ্রুতি পালনে ব্যর্থ  
হবে ভারত। কিন্তু 'রাজনৈতিক কারণে'  
বামেরা এই বিষয়ে সরকারের পাশে  
পুরোপুরি দাঁড়াতে পারছে না। অতএব  
শেষ ভরসা বিজেপির সঙ্গে আজ  
আবার আলোচনা শুরু করেছে কেন্দ্র।  
তবে এখনও বরফ গেলেনি। তা সত্ত্বেও  
কাল বিষয় উপদেষ্টা কমিটিতে  
আলোচনা করে আগামী সপ্তাহে বিলটি  
সংসদে পেশ করা সম্ভব হবে বলে  
আশা প্রকাশ করেছেন বাণিজ্যমন্ত্রী  
কমল নাথ। ২৪ তারিখের মধ্যে বিল  
পাশ না-হলে অর্ডিন্যান্সও বাতিল হবে।

গতকাল বিজেপি পেটেন্ট বিলের  
বিরোধিতা করার সিদ্ধান্ত নেওয়ার পরে  
নড়েচড়ে বসেছে সরকার। ঘটনা হল,  
বিজেপি যে অর্ডিন্যান্সের বিরোধিতায়  
নেমেছে, তার মূল বিলটি কিন্তু  
অটলবিহারী বাজপেয়ীর জমানাতেই  
তৈরি। বিজেপির সংসদীয় উপনেতা  
বিজয়কুমার মলহোত্রা স্বীকার করছেন  
যে, তাঁদের বিলটিই সরকার অর্ডিন্যান্স  
হিসাবে জারি করেছে। কিন্তু তাঁর  
বক্তব্য, বাজপেয়ীর সরকার বিলটিকে  
স্থায়ী কমিটিতে পাঠিয়ে সকলের  
মতামত নেওয়ার পক্ষপাতী ছিল।  
মলহোত্রার সাফাই, তাঁরা আদতে এই  
পেটেন্ট-যুগের বিরোধী ছিলেন;  
কংগ্রেস জমানায় দেওয়া আন্তর্জাতিক  
প্রতিশ্রুতি রক্ষার জন্য খাতিরেই তাঁরা  
দায় বহন করে চলছিলেন। এখন  
সরকার বিষয়টিকে সংসদীয় কমিটিতে  
পাঠিয়ে বিস্তারিত আলোচনা না-করলে  
তাঁদের পক্ষে সমর্থন করা অসম্ভব।

আজ বাণিজ্যমন্ত্রী কমল নাথ  
বিরোধী নেতা লালকৃষ্ণ আডবাণীর  
ঘরে গিয়ে বিষয়টি নিয়ে আলোচনায়  
বসলে তাঁকেও একই কথা জানিয়ে  
দেওয়া হয়। ওই বৈঠকে অরুণ জেটলি,  
সুখমা স্বরাজ, যশোবন্ত সিংহ প্রমুখ  
নেতাও উপস্থিত ছিলেন। তাঁরা  
সরকারকে বলেন, বিলটিকে কমিটিতে

পাঠিয়ে চলতি অধিবেশনের দ্বিতীয়  
পর্বে তা পাশ করানো হোক। এই বিল  
পাশ করানোর সময় যেহেতু তা '৯৪  
সাল থেকে কার্যকর হয়েছে বলে ধরে  
নেওয়া হবে, তাই এক মাসে কিছু  
ক্ষতিবৃদ্ধি হবে না।

ঘটনা হল, এ দেশে পণ্য পেটেন্ট  
করার ক্ষেত্রে বাধা রয়েছে তিনটি  
জায়গায়— কৃষি-রাসায়নিক পণ্য,  
ঔষধপত্র ও খাদ্যসামগ্রী। বিশ্ব বাণিজ্য  
চুক্তি অনুযায়ী '৯৫ সালের ২৪  
জানুয়ারি থেকে ভারতেও এই তিন  
ক্ষেত্রে পণ্য পেটেন্ট চালু হয়ে যাওয়ার  
কথা। কিন্তু সংসদে বিল পাশ আটকে  
যাওয়ার ফলে ভারত মোট দশ বছর  
অতিরিক্ত সময় চেয়েছিল। এখন বিল  
পাশ করলে দশ বছর আগে থেকেই তা  
চালু হয়েছে বলে ধরে নেওয়া হবে।  
বিল পাশ করার সেই সময়সীমা পার  
হয়ে গেলে ভারত আন্তর্জাতিক  
'নিষেধাজ্ঞা'র মুখে পড়তে পারে বলে  
প্রতিরক্ষামন্ত্রী প্রণব মুখোপাধ্যায় ও  
বিদেশমন্ত্রী কমল নাথ জানিয়েছেন।  
যেমন ভারতীয় ব্যবসায়ীরা এখন  
আমেরিকায় যত খুশি বস্ত্র রফতানি  
করতে পারেন। চুক্তি ভঙ্গ করলে  
মার্কিন সরকার ভারতীয় বস্ত্রের উপর  
শাস্তিমূলক ব্যবস্থা হিসাবে বিরাট  
পরিমাণ বাড়তি কর বসিয়ে তার বাজার  
শেষ করে দিতে পারে।

প্রণব মুখোপাধ্যায় এই বিষয়টি  
নিয়ে বামদেদের সঙ্গে বেশ কয়েক দফা  
আলোচনা করেছেন। আজও সরকার-  
বাম সংসদীয় সমন্বয় কমিটিতে বিষয়টি  
নিয়ে আলোচনা হয়। কিন্তু বৈঠকের  
পর নীলোৎপল বসু বলেন, "বামপন্থী  
হিসাবে বিশ্ব বাণিজ্যের এই কাঠামোর  
বিভিন্ন দিক নিয়ে আমাদের আপত্তি  
আছে। সেই লড়াইটা শুধু দেশের  
ভৌগোলিক সীমার মধ্যে সম্ভব নয়।  
কাজেই সরকারকে বলছি, বিশ্ব বাণিজ্য  
সংস্থার কাঠামোর মধ্যেই স্বাস্থ্য ও  
চিকিৎসা, কৃষি এবং দেশীয় শিল্পের  
স্বার্থ রক্ষার জন্য চেষ্টা করতে হবে।"  
এ ক্ষেত্রে কী করা সম্ভব তা নিয়ে বাম  
ও সরকারের মতভেদ দেখা দিচ্ছে।



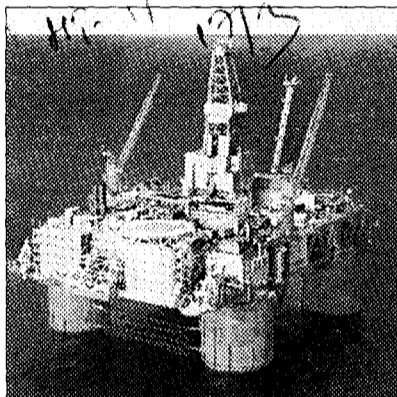
# Pipeline runs into trouble

Iran should offer natural gas at affordable prices, says Aiyar

HT Correspondent  
New Delhi, March 16

SIGNALLING A hardening of stance on the India-Iran gas pipeline, Petroleum Minister Mani Shankar Aiyar said Iran has to fix gas at a price which the industry can afford. "We will not buy gas from Iran if we cannot sell it in India... If they say they have alternate markets in the US, China and Japan (who are willing to pay higher price) then I might as well ask them to tap them," he said at a book release function on Wednesday.

Iran has proposed that the natural gas through pipeline would be available at the price equivalent of liquefied natural gas (LNG). Domestic natural gas is available at nearly half the price of LNG. The minister gave enough indications that the euphoria over the pipeline was over and "there was a rocky road ahead."



India and Pakistan need 200 mmscmd of gas and Aiyar said Iran should offer a special price for large consumers. He said our affordable price may be lower than available elsewhere, but Iran has to be sensitive to our concerns. "In our country paying

capacity of key consumers - fertilizer and power sectors - has to be kept in mind for pricing of gas. We can buy the energy if we can pay the price," he observed. International consultant BHP Billiton of Australia had pegged cost of Iranian gas through a pipeline at \$2.40-2.49 per million Btu.

Besides the high price of the 'lean gas' (natural gas stripped of petrochemicals), Iran was also not willing to sign 'supply-or-pay' contract, which would make it liable to deliver the gas at Indian borders or else pay for the assured quantity. Iran, however, wants India to commit to a stringent 'take-or-pay' clause where India will have to pay the price even if it does not take delivery of gas.

On the government selling a minority stake in Oil India Ltd, Aiyar said several proposals, including divesting minority stake are being considered for strengthening the resources of the public sector enterprise.

THE HINDUSTAN TIMES

17 MAR 2005

## রিলায়েন্স ইনফোকমের শেয়ার হস্তান্তর খতিয়ে দেখছেন চিদম্বরম

নয়াদিল্লি, ১৫ মার্চ: রিলায়েন্স ইনফোকমের এক কোটি শেয়ারের প্রতিটি প্রতীক মূল্য মাত্র ১ টাকায় তিনটি অ-নথিভুক্ত সংস্থাকে বন্টন করার ক্ষেত্রে আইন ভাঙা হয়েছে কি না, তা এ বার খতিয়ে দেখছেন খোদ অর্থমন্ত্রী পি চিদম্বরম। রাজ্যসভায় আজ তিনি জানান, রিলায়েন্স ইনফোকম নিজে শেয়ার বাজারে নথিভুক্ত নয়। সেই কারণে অ-নথিভুক্ত তিন সংস্থাকে তাদের এই শেয়ার হস্তান্তর সরাসরি শেয়ার বাজার নিয়ন্ত্রক সেবি-র তদন্তের আওতায় আসে না। এই সুযোগ নিয়েই ওই শেয়ার হস্তান্তর হয়েছে কি না, কেহ্র এ বার সেটাই তদন্ত করে দেখছে। চিদম্বরম আরও জানান, রিলায়েন্স ইন্ডাস্ট্রিজ সংক্রান্ত যাবতীয় বিষয়ের উপরেও তাঁদের নজর রয়েছে।

আজ রাজ্যসভায় প্রশ্নোত্তর পর্বে তিনি সি পি এমের জীবন রায়কে বলেন, “শেয়ার হস্তান্তর বেআইনি ভাবে হয়েছে কি না, সরকার তা নিয়ে তদন্ত চালাবে। এ ক্ষেত্রে সত্যি সত্যিই আইন লঙ্ঘিত হয়েছে, এমন কথা এই মুহূর্তে বলা আমার পক্ষে সম্ভব নয়।” কোম্পানি বিষয়ক মন্ত্রকের তথ্য অনুযায়ী, রিলায়েন্স ইনফোকম এমন তিনটি সংস্থাকে এক কোটি শেয়ার বিক্রি করেছিল, যাদের নাম নথিভুক্ত নয়। নথিভুক্ত নয় বিক্রিতে রিলায়েন্স ইনফোকমও। এই প্রসঙ্গেই চিদম্বরম বলেন, “তবে সেবিই এখন খোঁজখবর চালাচ্ছে। আইন লঙ্ঘনের প্রমাণ মিললে অন্য কোনও কর্তৃপক্ষকে দিয়ে তদন্ত চালানো হবে।”

মহাজনের বিরুদ্ধে সঞ্জয় নিরুপম। বি জে পি সাধারণ সম্পাদক এবং প্রাক্তন যোগাযোগমন্ত্রী প্রমোদ মহাজনকে সরাসরি দুয়লেন প্রাক্তন শিবসেনা নেতা সঞ্জয় নিরুপম। সঞ্জয়ের অভিযোগ, আইন বদল করে মহাজন রিলায়েন্স ইনফোকমকে সুবিধা পাইয়ে দেন। মহাজনের পাল্টা জবাব, তাঁকে ‘শিখণ্ডি’ খাড়া করেছেন সঞ্জয়। শিবসেনার বিরুদ্ধে মুখ খোলার সাহস সঞ্জয়ের নেই বলেই তিনি মহাজনকে আক্রমণ করছেন। অথচ নির্দিষ্ট অভিযোগ আনতে পারছেন না। — পি টি আই

# Iran, Pak step on gas with pipeline formula

By Sanjay Dutta/TNN

**New Delhi:** Iran has stepped on the gas by offering a course for the proposed \$4.16 billion overland energy lifeline to India through Pakistan, even as Islamabad has invited oil minister Mani Shankar Aiyar and his Iranian counterpart Bijan Zanganeh for talks.

Teheran told a team of visiting Indian officials last week that it will handle the 1,100-km stretch of the 2,775-km pipeline passing through the Iranian territory. The remaining length up to the In-

dian border through Pakistan would be taken care of by an international consortium of Australia's BHP and Anglo-Dutch energy major Shell and possibly some financial institutions.

Iranian officials also briefed the Indian team on Pakistan's expectations from the pipeline and its technical requirements.

The two sides also identified the probable sources of gas for feeding the pipeline for wheeling across to India. No price band, however, was discussed. "It remains to be seen whether we calculate

backwards from the best price the Iranians can get or do a forward calculation from ground zero," a top ministry official said on Monday.

The discussions are expected to give a fresh impetus to the project, particularly as Pakistan prime minister Shaukat Aziz on Friday went on record in Lahore, saying Aiyar and Zanganeh are to visit Islamabad in the "next few weeks" for discussing pipeline details.

The security of supplies to India through the pipeline, 760-km of which will pass through Pakistan, has been a

key issue for India which linked it to trade concessions and other more contentious bilateral issues.

New Delhi, however, is now willing to consider the project but has set its own course. It has made it clear that it does not wish to be part of any international consortium and that Iran will have to ensure delivery of the gas at its border.

Iran has already offered to sweeten the deal by expressing willingness to supply gas in ships as LNG (liquefied natural gas) in case of sabotage of the pipeline through

Pakistan. This will be besides gas stockpiles on the Indian side to take care of any emergency shutdown.

Industry experts say sabotage is not a big concern as gas pipelines can be repaired easily and quickly and technology makes monitoring of every inch possible as has been seen with pipelines through the strife-torn areas in India.

Pakistan is expected to get \$600-800 million annually in transit fee alone, which was also a reasonable guarantee against sabotage by Pakistan.

# নতুন কর-প্রস্তাবে লাভ বেশি ধনীদেরই

অমিতাভ গুহ সরকার

প্রাথমিক ভাবে আয়কর নতুন ব্যবস্থায় মনে হয়েছিল অর্থমন্ত্রী বোধ হয় চেলে সুবিধে দিলেন চাকরিজীবীদের। কিন্তু সব ধারা বিশ্লেষণ করে দেখা যাচ্ছে, লাভ হয়েছে বিশেষত তাঁদেরই, যাঁদের আয় বছরে ৫ লক্ষ টাকার বেশি।

কেন, এই প্রশ্নের উত্তর দেওয়ার আগে দেখা যাক প্রভিডেন্ট ফান্ড বা বিমা বা এই ধরনের সঞ্চয় প্রকল্পে নতুন ব্যবস্থাটা কী।

এই বাজেটে প্রস্তাবিত নতুন ধারা ৮০ সি অনুযায়ী এই সঞ্চয়-প্রকল্পগুলিতে বছরে এক লক্ষ টাকা পর্যন্ত লগ্নি করলে তার পুরোটাই বাদ দেওয়া হবে মোট আয় থেকে। আগের ৮৮ ধারায় অন্তর্গত সব প্রকল্প, যেমন পি এফ, এন এস সি, বিমা প্রিমিয়াম, গৃহখণের আসল (প্রিন্সিপ্যাল) পরিশোধ, পরিকাঠামো বন্ড, সন্তানের শিক্ষা বাবদ খরচ—সবই স্থান পেয়েছে এই ধারায়। এত দিন ৮০ সি সি সি ধারায়, পেনশন প্রকল্পে বছরে ১০ হাজার টাকা পর্যন্ত লগ্নিতে অতিরিক্ত ছাড় ছিল। তাকেও চোকানো হয়েছে এই এক লক্ষ টাকার মধ্যে। অর্থাৎ মুখে এক লক্ষ টাকা বলা হলেও চিদধরম ৮০ সি ধারায় প্রকৃত ছাড় দিচ্ছেন ৯০ হাজার টাকা লগ্নির উপরে।

দেখা যাক নতুন ব্যবস্থা কী দাঁড়াল। দেড় লক্ষ টাকা আয়ের ক্ষেত্রে বর্তমান আইন অনুযায়ী এক জনকে কর দিতে হয় ১৯ হাজার টাকা। নতুন প্রস্তাব অনুযায়ী একই আয়ে আগামী আর্থিক বছরে কর ধার্য হবে মাত্র ৫ হাজার টাকা। এই হিসেবে অবশ্য ২ শতাংশ শিক্ষা সেস ধরা হয়নি। ঋণপাতদৃষ্টিতে প্রস্তাবটি বেশ আকর্ষণীয় বলে মনে হতেই পারে। কিন্তু স্ট্যান্ডার্ড

ডিডাকশন (চাকরিজীবী ও শতাংশ হারে)। অর্থাৎ তাঁর নিট কর পেনশনভোগীদের ক্ষেত্রে) ও ৮০ এল হয় ১০ হাজার টাকা। নতুন প্রস্তাব ধারার সুবিধা বাদ দিয়ে প্রস্তাবটি কি অনুযায়ী, কর দিতে হবে ৫ হাজার টাকা। অর্থাৎ প্রকৃত ফায়দা ১৪ হাজার সত্যিই ততটা আকর্ষণীয়? বর্তমান আইন অনুযায়ী দেড় লক্ষ টাকা নয়, হচ্ছে ৫ হাজার টাকা।

পুরো ফায়দা তুলতে পারবেন। কম আয়ের মানুষের পক্ষে এক লক্ষ টাকা লগ্নি করা শক্ত হলেও যাঁদের আয় ৫ লক্ষের বেশি তাঁদের পক্ষে হয়তো ততটা কঠিন হবে না। আগে আয় ৮ লক্ষ ৫০ হাজার টাকা হলেই চাপত ১০ শতাংশ সারচার্জ। অর্থাৎ করের প্রকৃত হার গিয়ে দাঁড়াত ৩৩ শতাংশ। বাজেট প্রস্তাব অনুযায়ী এ বার আয় ১০ লক্ষ টাকা ছাড়লে তবেই সারচার্জ।

মহিলাদের ক্ষেত্রে লাভের অঙ্ক মাত্র অর্ধই হাজার টাকা। নতুন নিয়মে এক লক্ষ ২৫ হাজার টাকা পর্যন্ত তাঁদের কোনও করই দিতে হবে না ব্যাপারটি আপাতদৃষ্টিতে বেশ আকর্ষণীয়। কিন্তু সত্যিই কি তাই আগে পুরুষদের তুলনায় তাঁরা হাজার টাকা অতিরিক্ত কর ছা পেতেন। এ বার পাবেন মাত্র আড়া হাজার টাকা—২৫ হাজার টাকা উপরে ১০ শতাংশ হারে।

এ বারের বাজেটে সব থেকে ব আঘাত পৌঁছেবে প্রবীণ নাগরিকদের ঘাড়। বর্তমান আয়কর আইন অনুযায়ী প্রবীণ নাগরিকদের প্রথম ২০ হাজার টাকা পর্যন্ত কর মকুবই থাকে। নতুন প্রস্তাবে এঁদের দেড় লক্ষ টাকা পর্যন্ত আয়কে করমুক্ত রাখা হয়েছে। এ আয়ের উপরে চালু আইন অনুযায়ী কং দাঁড়ায় ১৯ হাজার টাকা, যার পুরোটাই তাঁরা ছাড় পাওয়ার যোগ্য। অর্থাৎ তাঁদের কোনও লাভ হয়নি। বরং ক্ষতি হয়েছে। ৮০ এল ধারায় এবং স্ট্যান্ডার্ড ডিডাকশন বাবদ সুবিধা আর না থাকায় তাঁদের করের পরিমাণ কিন্তু বেড়ে যাচ্ছে। ফলে কর মকুবের আগের সুবিধে থেকে বঞ্চিত হচ্ছেন তাঁরা।

এ ক্ষেত্রেও বেশি সুবিধা পাবেন বেশি আয়ের মানুষেরা, যাঁদের উপরে বামপন্থীরা আরও বেশি করের বোঝা চাপানোর দাবি করেছিলেন।

## নতুন বাজেট প্রস্তাব অনুসারে আয়করের অঙ্ক

আয়	বর্তমান কর	প্রস্তাবিত কর	করদাতার লাভ
১ লক্ষ টাকা	০	০	০
১.৫ লক্ষ টাকা পর্যন্ত	১৯৩৮০	৫১০০	১৪২৮০
২ লক্ষ টাকা পর্যন্ত	৩৪৬৮০	১৫৩০০	১৯৩৮০
২.৫ লক্ষ টাকা পর্যন্ত	৪৯৯৮০	২৫৫০০	২৪৪৮০
৩ লক্ষ টাকা পর্যন্ত	৬৫২৮০	৪০৮০০	২৪৪৮০
৩.৫ লক্ষ টাকা পর্যন্ত	৮০৫৮০	৫৬১০০	২৪৪৮০
৪ লক্ষ টাকা পর্যন্ত	৯৫৮৮০	৭১৪০০	২৪৪৮০
৪.৫ লক্ষ টাকা পর্যন্ত	১১১১৮০	৮৬৭০০	২৪৪৮০
৫ লক্ষ টাকা পর্যন্ত	১২৬৪৮০	১০২০০০	২৪৪৮০
৫.৫ লক্ষ টাকা পর্যন্ত	১৪১৭৮০	১১৭৩০০	২৪৪৮০
৬ লক্ষ টাকা পর্যন্ত	১৫৭০৮০	১৩২৬০০	২৪৪৮০
৬.৫ লক্ষ টাকা পর্যন্ত	১৭২৩৮০	১৪৭৯০০	২৪৪৮০
৭ লক্ষ টাকা পর্যন্ত	১৮৭৬৮০	১৬৩২০০	২৪৪৮০

\*এই হিসাব ২ শতাংশ শিক্ষা সেস ধরে

টাকা পর্যন্ত আয়ের ক্ষেত্রে স্ট্যান্ডার্ড ডিডাকশন পাওয়া যেত ৩০ হাজার টাকা। এই ৩০ হাজার টাকা বাদ দিলে এক জন করদাতাকে এক লক্ষ ২০ হাজার টাকার উপরে কর দিতে হয় ১৩ হাজার টাকা। এ ছাড়া ৮০ এল ধারায় তাঁর কর বাঁচতে পারত ৩ হাজার টাকা (সর্বাধিক ১৫ হাজার টাকার উপরে ২০ লাভ কিন্তু বেশি হবে তাঁদেরই, যাঁদের আয় ৫ থেকে ২০ লক্ষ টাকার মধ্যে। যাঁদের আয় ৫ লক্ষ টাকার বেশি, তাঁদের ৮৮ ধারার সুবিধা আগেও ছিল না। ফলে এই সুবিধা তুলে নেওয়ায় তাঁদের কোনও লোকসানই নেই। অন্য দিকে, নতুন ৮০ সি ধারা অনুযায়ী এঁরা এক লক্ষ টাকার লগ্নির

# PC talks twin tax rethink

## Levy on perks and cash withdrawals under scrutiny

HT Correspondent  
New Delhi, March 2

P. CHIDAMBARAM wouldn't like to be a rollback finance minister — a sobriquet that came to be attached to one of his predecessors. But today, he indicated his willingness to rethink two of his tax proposals that have kicked up a nationwide controversy.

At the end of the day, both taxes — one on cash withdrawals and another on fringe benefits — looked set to be restructured to buy peace with the Opposition, muffle criticism within the ruling UPA and keep consumers and industry happy.

Speaking at Ficci, Chidambaram hinted that the Rs 10,000 cap on cash withdrawals, which would have attracted a 0.1% transaction tax, would now be raised. "There's been a request from the Congress Parliamentary Party and the UPA. I am thinking of putting a different cap on cash withdrawals," he said.



P. Chidambaram second thoughts

Referring to the black money circulating in the economy, he said, "I am not stubborn in dealing with the problem. I am willing to consider change in any tax proposals where mistakes have crept in. But I am stubborn in tackling the problem (black money). If we can't deal with it in this manner, we can deal with it in a different way."

On the fringe benefits tax, he said the "unintended anomalies that

crept into the Finance Bill will be corrected". The finance ministry would look into legitimate business expenditures for sales promotion that could be pulled out of the ambit of the fringe benefits tax.

Defending the budget proposals at CII, revenue secretary K.M. Chandrasekhar said, "It's not the government's intention to tax genuine business expenditure. The intention is to plug loopholes in the system. Fringe benefit tax in the present form isn't going to be implemented as there will be discussions in Parliament and with industry before it is introduced." Parthasarathi Shome, Chidambaram's adviser, said fringe benefits were an integral part of consolidated income and should be taxed.

Chidambaram also strove to sell the other initiatives in the budget, especially the reforms in direct and indirect taxes taken up after a gap of seven years.

See also Page 11

THE HINDUSTAN TIMES

03 MAR 2005

# Big bang reforms mooted for banks

**No floor on SLR, CRR proposed, PSU banks may get nod to issue preference shares**

ENS ECONOMIC BUREAU  
MUMBAI, FEBRUARY 28

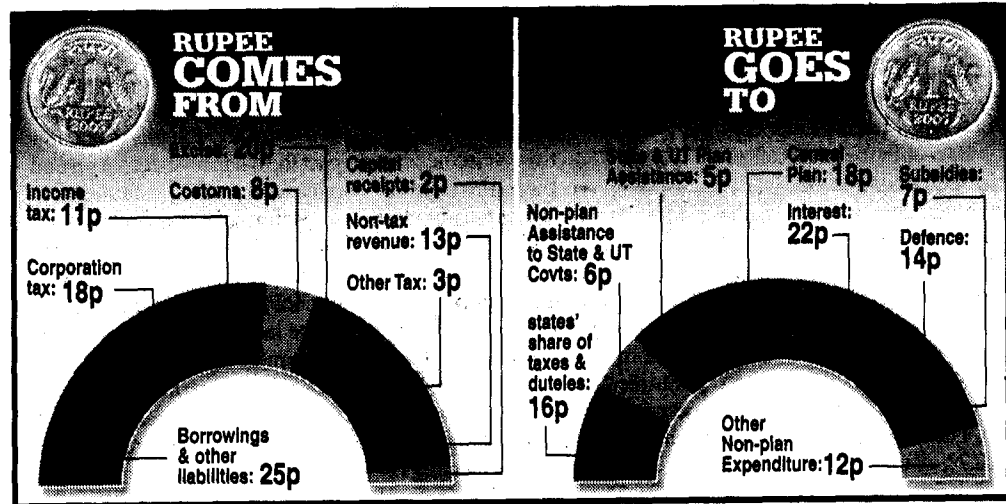
**A**S EXPECTED, Finance Minister P Chidambaram has pushed banking reforms ahead by promising a slew of legislative changes, which will enable the Reserve Bank of India (RBI) to enjoy greater flexibility in liquidity management and supervision.

With the proposed amendments to the Banking Regulation (BR) Act, 1949 and the Reserve Bank of India Act, 1934 — which will be tabled in the Budget session of the Parlia-

ment — there will be no floor on statutory liquidity ratio (SLR) and cash reserve ratio (CRR).

In other words, RBI would have the flexibility to ask banks to maintain an SLR of less than 25 per cent and a CRR of less than 3 per cent. There is also a proposal to amend the BR Act to allow public sector banks to issue preference shares. "A number of banks may reach the statutory ceiling of 51 per cent government holding very soon and the facility to issue preference shares will enable them to raise capital without affecting ownership complexion," said Cherian Varghese, chairman, Union Bank of India.

This would also help banks main-



tain a healthy capital adequacy, which assumes importance against the imminent Basel-II environment. The bond market, however, reacted negatively to these proposals. Prices of select securities fell by around 60 paise from

overnight levels before recovering a tad at the close of the day.

The Budget has also envisaged the introduction of specific provisions to enable a consolidated supervision of banks and their subsidiaries by RBI. This would be in conso-

nance with the international best practices. The Budget also has a proposal to amend the definition of 'securities' under the Securities Contracts (Regulation) Act, 1956 so as to provide a legal framework for trading of securitised debt, including mortgage backed debt.

"This would allow for transfer and endorsement by delivery of pass-through-certificates (PTCs) and listing on stock exchanges, thus giving a boost to securitisation of home loans." Investors like insurance companies/pension and mutual funds will now be willing to invest in the mortgage backed papers on account of liquidity," according to P.K. Gupta, Chairman and Managing Director of National Housing Bank.

## WHAT I THINK



**deepak parekh**  
chairman, WPC

**CHIDAMBARAM** has done a fine job for the common man. The reworking of income tax slabs will provide relief to over 1.4 crore assessee. Permitting mutual funds to offer gold traded exchange funds and permitting FMS to participate in the derivatives market are welcome measures for the capital markets. Savings will receive a boost with the introduction of a consolidated deduction of up to Rs.1 lakh. Retaining exemptions such as interest on housing loans, medical premia, etc. reflects the FM's deft handling of direct taxation. The removal of Section 80L, however, puts a depositor at a disadvantage.

**harsh goenka**  
chairman, RPG



THE FM has achieved the difficult task of undertaking huge expenditure for implementing programmes under the CMP while ensuring the growth impetus needed to keep the economy on track. The Budget gives practical expression to rural development with emphasis on employment generation. The FM also needs to be complimented for finding ingenious ways to reduce subsidies without reducing benefits to the consumers. The financial sector will be able to function more efficiently with the provision of a legal framework of trading in securitized debt, the proposed step to make Mumbai a financial centre, etc.



**adil godrej**  
chairman, Godrej Group

It's an excellent Budget directed towards both economic growth as well

as social development. Highlights include the clear indication to move towards a national goods and service tax and the proposal to allow the tax payer to choose a savings mechanism in a neutral manner. The peak customs duty rate cut and the emphasis on Mumbai are welcome, as is the decision to permit minimum alternate tax as credit towards corporate tax in future years. However, the fringe benefits tax is laid out unfairly. The increase in surcharge on corporate tax will increase the rates of minimum alternate tax and the dividend distribution tax.

**baba kalyani**  
CMD, Bharat Forge Ltd



IT'S A progressive reform oriented budget with emphasis on promoting investment, production and employment. Besides increased allocations for defense, agriculture and the social sector, the most noteworthy feature is the tax reforms. The auto component industry welcomes the extension in the sunset clause under Section 35 (2AB) of the Income Tax Act that provides for weighted deduction of 150 per cent on expenses incurred on R & D. However, we would have been happy if the Budget had contained more initiatives for the manufacturing sector. I wish the auto component industry had been given incentives like other sectors, but perhaps this will be part of next month's foreign trade policy.

## SECTOR HIGHLIGHTS

Sameer Kochhar, CEO  
Stock Consultancy Services

### BANKING



#### Banking

RBI to announce roadmap for reforms, including M&A plans  
The Govt to amend Banking Regulation Act, cap on SLR norms out  
Banks can issue preference shares without diluting Govt stake  
IMPACT: More flexibility for RBI and banks. More measures on the anvil  
BSE BankEX up 3.94% Positive  
The budget lays down the road map for the role of the financial sector as the key engine for India's economic development.

Uday Kotak, vice chairman & MD, Kotak Mahindra Bank

### OIL & GAS

Major changes in duty structure in keeping with Lahiri Committee recommendations  
Customs duty on crude oil cut from 10 per cent to 5 per cent  
Customs duties on LPG for domestic consumption and subsidised kerosene made nil and so is the excise on these two products  
Customs duties on petrol and diesel reduced from 20 per cent and 15 per cent respectively to 10 per cent. Excise on petrol and diesel to be made a mix of ad valorem and specific which will increase net excise on petrol by around Rs 1.50 per litre and diesel by 50 paise per litre.  
Highway cess on petrol and diesel of 50 paise per litre.  
Pipeline transport brought under service tax which will increase cost of crude and gas through pipelines.

IMPACT: Tax reforms are in keeping with the expectations and will ease some pressure on the oil firms.  
BSE oil and gas index: Close 3172.67, up 2.12% Positive  
"As far as integrated oil companies are concerned, the budget will have a positive impact since there is a reduction in the LPG and kerosene under-recovery due to cut in customs and excise duties. Crude will be cheaper due to the duty cut. However, since there will be a mix of ad valorem and specific in excise for petrol and diesel, there is a net increase in excise for the two which if allowed to pass on to the consumers later will benefit the oil firms."

S Behuria, CMD, BOP

### TEXTILES

Slew of measures to strengthen textile sector in post quota regime:  
Technology Upgradation Fund (TUF) raised by Rs 435 crore.  
10 per cent capital subsidy scheme for textile processing sector in addition to normal benefits under TUF scheme.  
Customs duty on textile machinery proposed to be halved from the earlier 20 per cent.  
30 textiles items, including hosiery, de-served from the SSI list.

### TELECOM & IT

Mobile phones exempt from 1/6 scheme  
Endeavour to boost jobs in IT sector to 60 lakh by 2009.  
Customs duty down to zero and CVD being brought down to 4 pc from 8 pc on 217 items falling under the ITA from July 1, 2005.  
Contribution to the USO fund hiked.  
A PC to SC/ST students enrolled in institutions of excellence.  
Depreciation at 15 per cent from 65 per cent.  
Customs duty down to 10 pc from 20 pc on optical fibres and cables.  
Customs removed from all inputs required to make ITA-bound items.

IMPACT: Removal of mobile phones as one of the criteria for listing income tax will encourage new buyers, while reasonable tariffs will check the grey market in IT hardware and telecom. Both rural telephony and mobile phone uptake are likely to increase, even as PC prices could drop by 3 to 6 per cent as per early estimates.  
"The finance minister's endeavor to boost job generation in sectors like IT and textiles and financial commitment to Bharat Nirman, a comprehensive project to improve connectivity, phone links, electrification and irrigation in rural India are most welcome"

Sunil Bharti Mittal, Bharti Enterprises

### INFRASTRUCTURE

An SPV to be established to finance infrastructure projects in roads, ports, airports and tourism using forex reserves.  
A ceiling of Rs 10,000 crore in the first year  
An outlay of Rs 9,320 crore for highway development  
National Highway Development Project III to be launched in 2005-06.

IMPACT: The sector to get more funds. The new measures will boost overall development  
Larsen & Toubro Rs 1085.76 (Feb 28) up 0.36%. Gammon India Rs 892.19 (Feb 28) — rise 1.01%. Positive  
Most of the steps in this direction has been policy initiatives and this will certainly start seeding

some major reforms. The elements focus on rural development thus ensuring that more corporates go to rural areas.  
Prasad Menon, managing director, TATA Chemicals Limited.

DK Nair, secretary general, The Indian Cotton Mills Federation

"There are some positives for the sector in the budget. The capital subsidy of 10 per cent, de-reservation of 30 items from the SSI list, reduction in the duties on polyester yarn etc are all good steps. However, excise on domestic machinery should also have been reduced. Mandatory excise on man made fibres should also have been brought down from 16 per cent to 8 per cent since on yarn it is 8 per cent. In all I will call it a mixed bag."

SSi

Separate fund under National Competitiveness Council  
Special fund for the hosiery sector, knowledge based industry  
Support funding of Rs. 500 crores by SIDBI to boost SSI sector  
IMPACT: The SSI sector — which is facing tough times in the recent years — will get financial support to get back to business  
The government has taken out 108 items from reserved list and not increased the turnover limit from 3 crore to 5 crore and excise exemption limit over one crore is a matter of concern and should be re-considered as this will boost the SSI sector

Vijay Kalantri, President, AIAI

CEMENT

Focus on core sector projects to boost sales  
SPV for urban infrastructure is positive  
Bharat Nirman to see investment in roads, irrigation, housing  
IMPACT: The industry has no reason to complain as a combination of infrastructure and housing projects will result in a sales boom  
ACC Rs 367, up 1.71%. Gujarat Ambuja Rs 449.35, up 3.57%. Positive  
There has not been any change in the raw material costs for cement industry. At the same time, the continued focus on infrastructure will support growth in cement industry. But the announcements should be translated into action.

AK Jain, ED - marketing, ACC.

## R&D fund for pharma, duty cut for biotech equipment

ENS ECONOMIC BUREAU  
NEW DELHI, FEBRUARY 28

**P**HARMA and biotech got away with little tinkering, few sop and assurances of a "stable policy and necessary incentives" in Finance Minister P Chidambaram's Budget.

The industry's three key wishes — infrastructure status to healthcare, opening of health insurance and an independent regulator — will have to wait. But the Budget has promised a corpus fund of Rs 150 crore to assist the still-sunrise sector in research and development (R&D). This, the FM said, will encourage outsourcing in drug discovery, clinical trials and medical services. Monday's incentives include reduction in customs

duty from 20 to 5 per cent on nine specified equipments used in the biotech field. The customs duty exemption on capital goods and raw materials in government or CSIR-funded R&D projects has been extended to those funded by ICMR, ICAR, UGC, DRDO or AICTE. Along with electronic equipment makers, biotech, drug, pharma and chemical makers with R&D facilities are allowed weighted deduction of 150 per cent on expenditure incurred. This exemption has been extended by two years, for expenses incurred until April 1, 2007, though the sop itself will be effective from April, 2006.

Besides, scientific research firms allowed 100 per cent deduction of profits for 10 years

under section 80-1B of the Companies Act will now be allowed the deduction if they get approval from the Department of Scientific and Industrial Research before 1 April, 2007 instead of April 1, 2005. The new norms are effective from April 1, 2006.

Shivinder Mohan Singh, joint-MD of Fortis Healthcare, said, "We will not be able to provide quality healthcare without a firmer regulatory framework. The exemption on R&D facilities and the Rs 150 crore corpus fund were expected and positive steps, in their own small way."

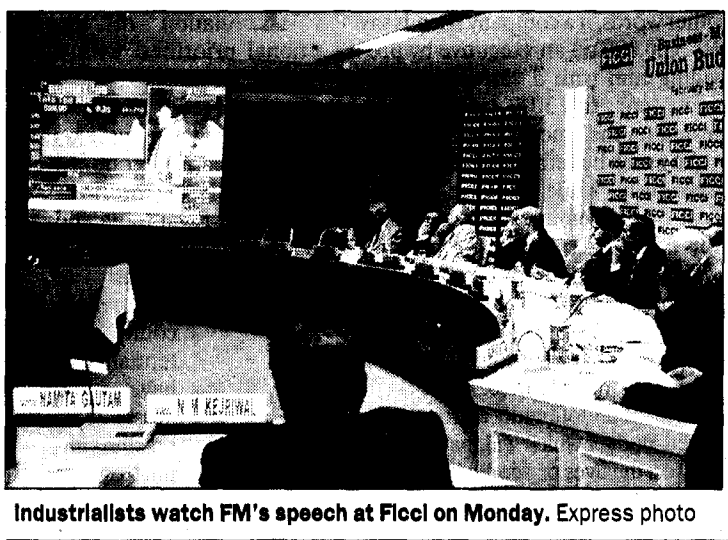
Bharat Biotech Chairman Krishna M ella said, "There is nothing much for the biotech sector, except for the reducing in customs for nine specified equipment we use."

## Bonanza unveiled for textile firms

ENS ECONOMIC BUREAU  
NEW DELHI, FEBRUARY 28

**I**F BUDGET 2004 gave textile firms flexibility in the tax structure, the 2005 edition had in store a series of fiscal and capital incentives for the sector. The slew of measures in Budget 2005 include a 10 per cent capital subsidy scheme, de-reservation of 30 items from SSI and a reduction in duty on machinery and yarns.

Reaffirming government's commitment to the sector, Finance Minister P Chidambaram said, "The government will continue to nurture the textile sector which has huge potential for employment and exports." Tabling the Budget in the Parliament, the Finance Minister focussed on textiles in the light of the post-quota regime and said investments in the sector was estimated to go up to Rs 30,000 crore from Rs 20,000 crore in 2004-05. Besides raising the allocation of technology upgradation fund (TUF) by Rs 435 crore, the budget



Industrialists watch FM's speech at FICCI on Monday. Express photo

announced a 10 per cent capital subsidy scheme of 10 per cent for textile processing sector. This is in addition to normal benefits under TUF scheme. In order to help the industry acquire a competitive edge, customs duty on textile machinery was proposed to be halved from the earlier

20 per cent and 30 textiles items, including hosiery, are being de-served from the small scale list. Customs duty has been reduced on nylon chips, textile fibres, yarns, intermediates, fabrics and garments from 20 to 15 per cent.

Excise duty is proposed to be

slashed to 16 per cent from 24 per cent on polyester filament yarn. Terming the sector as a major employment generator, Chidambaram said the government proposed to adopt the cluster development approach for production and marketing of handloom products and textiles ministry will take up 20 clusters in the first phase at a cost of Rs 40 crore. The finance minister also announced that life insurance scheme for handloom weavers will now provide cover to upto 20 lakh weavers and also proposed to increase the health insurance cover to two lakh weavers from the current 25,000.

While welcoming the steps, industry players, however, demanded for more. According to D K Nair, secretary general of The Indian Cotton Mills' Federation, "mandatory excise on man made fibres should also have been reduced from 16 per cent to 8 per cent. The government should also have reduced excise on domestic machinery from 16 per cent to 8 per cent."

## THE STREET TAKES STOCK, DALAL ST VISIBLY UPBEAT



**STT UP:** Securities transaction tax up across the board, on non-delivery trades marginally up from 0.015% to 0.020%. STT for futures and delivery-based trades also rises.

**IMPACT:** Investors have to shell out more, but market has already discounted this hike.

**DAY-TRADERS:** Day-traders have to shell out more as STT, derivative incomes won't be treated as speculative.

**IMPACT:** Significant benefit, as they will now be entitled to relief available to regular income.

**FII:** Allowed to give non-cash security than cash margins.

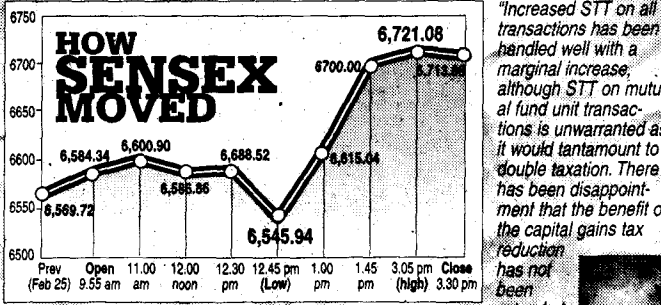
**IMPACT:** Should boost FII flows as the cash margins had to be provided before trades.

**MF:** Investments in equity-linked saving schemes look up.

**IMPACT:** Savers can put money in MF units instead of saving schemes alone.

## INDIA INC MARKETS INDIA INC MARKETS INDIA INC MARKETS INDIA INC

BSE Market Capitalisation: Up Rs 23,050 crore to Rs 16,26,302 crore



GAIN: 144.14 points

**TOP 5 GAINERS**

Stock	25/02	% ch
BOM DYEING	297.10	19.99
CENTURY TEXT	239.00	10.88
RAYMOND	341.90	8.45
NICHOLAS PIR	288.05	7.22
ARVIND MILLS	128.60	6.24

**TOP 5 LOSERS**

Stock	25/02	% ch
DENA BANK	31.10	-4.45
GUJ MINERAL	349.25	-4.08
IDBI LTD	92.50	-4.00
NESTLE (I)	600.80	-3.97
GEOMET SOFOS	442.75	-3.89

(BSE Closing prices)

**Corporate Tax**  
As widely expected, corporate tax rates (including surcharge) were cut to 30% and though the FM added 10% surcharge, India Inc is not complaining.

**Fringe Benefit Tax**  
Corporates will pay now 30% tax on fringe benefits to employees.

**Tax on Withdrawals**  
Firms will have to pay a 0.1% tax on cash withdrawals above Rs 10,000.

**Depreciation**  
Depreciation rate on general machinery and plants reduced from 25% to 15%.

The rate on new plants and machinery increased to 20% from current 15%.

**Tax Credit For MAT**  
Tax credit will be allowed for the 7.5% MAT paid in an assessment year after 2006-07.

**Services that businesses employ exempt from tax**

**IMPACT:** Corporates will have to pay less for services sourced outside.

**Exemptions**  
The terminal dates on exemptions for R&D, biotech, pharma, telecom etc have been extended by two years in some cases.

**Customs**  
The government to cut peak customs duty to 15% from 20%.

## NOT A DREAM, BUT INDIA INC IS NOT COMPLAINING

### EXPERT-SPEAK

What this budget has done is to ensure that the growth rates are not affected adversely. Further, the underlying principle seems to be to bet on the economic buoyancy for revenue generation. The budget has a strong focus on infrastructure investments, along with rural development and investments in the social sector.

Ishaat Hussain, Finance Director, Tata Steel



### EXPECTATION METER

**What made corporate India happy**

- Corporate tax cut
- Increased spending in core sector projects
- Customs duty rationalisation
- Withholding tax on technical services reduced to 10%
- Tax credit on MAT

**What made them unhappy**

- Tax on bank withdrawals above 10,000
- STT hiked
- Fringe benefit tax of 30%

## Chidambaram's Rs 10,000 solution finds few takers

ENS ECONOMIC BUREAU  
NEW DELHI, FEBRUARY 28

**W**HETHER he likes it or not, the FM's move to check black money has become the talking point of Budget 2005.

Here's the fine-print: a cash withdrawal of Rs 10,000 or more in a single day will attract a tax at the rate of 0.1 per cent. As long as a person or a firm pays cash, the tax will also be applicable to the purchase of a bank draft or banker's cheques. Ditto for receipt of cash from a scheduled bank over Rs 10,000 on a single day on encashment of a term-deposit. The onus of collection is on the banks.

The problem, however, say experts is that the bulk of black money transactions do not happen from bank accounts. Further, in the name of trying to tap black money, the tax will create a burden, however small, for a number of honest tax payers who need to withdraw cash above Rs 10,000 in a day.

Companies are upset too, saying they often have to make cash payments to labour that doesn't have a bank account. This applies in particular to sectors like textiles, construction, and all the industries in the small-scale industry.

But Finance Minister P. Chidambaram tried to downplay the tax by saying it's a small part of the Budget. "People who are complaining of the tax are not complaining because of the Rs 10 they have to pay on Rs 10,000 withdrawal, but on the trail the tax will leave," he said.

But Corporate India and tax experts are unconvinced. Says Saurav Srivastava, Chairman of Xansa: "I don't understand why the provision is there. People will either simply get away with withdrawing Rs 9,999 a day. Besides, what happens if someone is withdrawing cash in an emergency situation or to pay salaries?"

Tax consultant O.P. Vaish agrees that there are serious implementation issues, which he thinks Parliamentarians themselves will shout out.

Stage for a roll-back?

# Markets React With A Relieved Rally

**T**HE verdict seems clear from the stock indices. A 144-point post-budget rally that began after P. Chidambaram uttered the last word of his long budget speech is clearly a 'relieved' rally.

The past couple of weeks had seen the capital market turn nervous at the aggressive posturing of the government's political allies, but the FM has done a good job of managing various expectations, contradictions and compulsions. The compromises are also obvious. The Disinvestment word was avoided and inflammable issues such as increased Foreign Direct Investment were relegated to the examination to 'high level' committees.

Still, barring nasty surprises in the fine print, investors have much to be relieved about.

There was no hike in personal Income Tax (as demanded by the Left), while the Rs one lakh 'savings allowance' across various tax segments

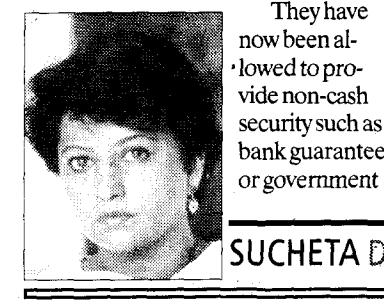
provides investment flexibility and could drive more funds to the capital market via mutual funds.

That the threatened 'Tsunami Tax' did not materialise and service tax was not hiked (although its reach has been expanded) were other pluses. The reduction in corporate tax and relief to specific sectors such as textiles, sugar etc. have been welcomed but there may be some realignment in prices when the precise impact of the new Value Added Tax regime and reduced depreciation become clearer.

From the capital market perspective, the hike in Securities Transaction Tax (STT) is entirely along expected lines, although a section of brokers are hoping to wrangle some concessions by claiming that the 25 per cent hike in tax for day traders is on the higher side. A significant relief for day traders is that their derivatives income will not be treated as speculative; this means that they will be entitled to relief available to regular income.

The Finance Minister has done well in ignoring the demand by a few companies to allow 'sponsored GDRs' to be the exchange mechanism in order to avoid capital gains tax and merely pay STT on shares tendered for the lucrative global offering.

There is relief for foreign institutional investors (FIIs) also. They were forced pay cash margins, to be brought in well ahead of trades.



They have now been allowed to provide non-cash security such as bank guarantee or government securities; this will encourage bigger investment from FIIs.

which are already enjoying a serious resurrection of investor interest, having raised over Rs 4,000 crore in the last couple of weeks.

The introduction of gold unit exchange traded mutual Funds is an important new addition to the menu of investment options. While gold trading happens on the commodities bourses, the gold units funds will attract ordinary investors, better acquainted with the capital market.

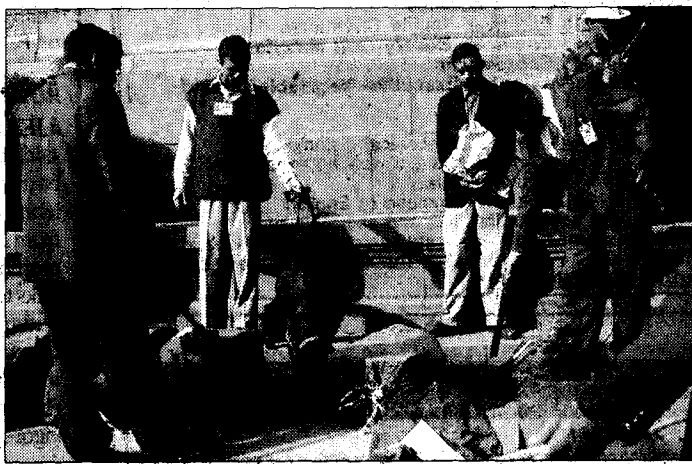
A curious decision is the redefinition of 'securities' by amending the Securities Contracts (Regulation) Act to provide a legal framework for trading of securitised debt, including mortgage-backed debt on the Over The Counter (OTC) or telephone market. It would have been far better to push these trades out of the OTC market and on to the two national stock exchanges, whose competence and growth came in for special mention.

The Reserve Bank's move to splinter the debt market, which is hanging fire since last September was also left unresolved. Instead, another high-level committee has been asked to examine market design and regulatory framework for trading in securitised debt and the bond market.

The 1990s idea of developing Mumbai as an international finance hub, strategically located between London and Dubai has been revived and it has a better chance of implementation in a liberalised regime with comfortable forex reserves.

By lowering import barriers and rationalising domestic duty structures Chidambaram has set the stage for industrial growth. He has also facilitated operational flexibility for the Reserve Bank and paved the way for bank mergers.

The focus on the social and rural sector including micro-credit is also important, although actual delivery of these measures is always rather hazy.



Security personnel search the budget baggage at Parliament House in New Delhi on Monday. - Ravi Batra

## Corporate India hails Budget '05

ENS ECONOMIC BUREAU  
NEW DELHI, FEBRUARY 28

**I**NDIA Inc on Monday welcomed the Union Budget 2005-06 calling it growth-oriented.

CII chief mentor Tarun Das said, "We are on a good wicket as far as the economy is concerned," and reforms are on track. "There are several positives it is difficult to find negatives," he said.

Maruti Udyog Managing Director Jagdish Khattar said, "It is a good budget and a forward looking one." "Focus on employment is a welcome step. Bharat Nirman is a step in the right direction," Bharti Televenture head Sumil Mittal said.

According to Rajiv Karwal of Electrolux India, reduction of excise duty on air-conditioners from 24 to 16 per cent will help bring down the prices of the product between Rs 500 and Rs 1,500. "This will also help imports," he said.

Industry association Assocham had a different take on the budget. "This is not a dream budget, but overall a good one," said Assocham President M.K. Sanghi. The measures announced for rural sector, infrastructure, creation of jobs are positive steps, he said. "However, more is required on the personal income tax front where the exemption should have been raised to Rs 2 lakh. The move to tax withdrawal of Rs 10,000 per day seems to have not

been discussed properly. It will only increase paper work for both the tax payer and the government," he said.

Naishad Parikh of Arvind Mills said, "The 10 per cent textile subsidy is a positive step though some direction in amending labour laws would have been welcome." However, the budget meets only 70 per cent of the requirements of the textile sector, he added.

Naina Lal Kidwai of HSBC Bank said, "It is disappointing that the setting up of so many commissions has been proposed. Hopefully, these will come out with concrete proposals."

Vinayak Chateerjee of Feedback Ventures hailed the budget as a step in the right direction for laying emphasis on the manufacturing sector as envisaged in Bharat Nirman programme.

Describing it as "very pro-bio", the biotechnology industry said the budget promises a favourable fiscal and regulatory policy environment and necessary incentives for the sector. Initiatives like a Rs 150 crore corpus to fund research in biotech and pharma sectors, the extension of 150 per cent weighted deduction for R&D expenditure, reduction of withholding tax, the lowering of customs duties on capital goods and correction of inverted duty structures were hailed by the biotech industry.

### WHAT METHINKS

**NO** Dharma R. Mahapatra

... hasn't done anything to... process. Lowering of taxes for the... sounds like good news. Unfortunately, the simultaneous forcing of the... away what the other hand gives... will... for... who want to make capital as well as... technology investments. Thanks to the... of the rest of the automobile is... As anyone who has dined will tell you, you... overall reduction. You have asked us to wait, Mr FM, so we will.

### tv mohandas pai

CFO, Infosys Technologies

**I**NDUSTRY got many things it asked for. A lower corporate tax rate but with lower depreciation rates, reduced custom duties and greater infrastructure spending is a big plus. I had expected an overall excise duty cut to 12%. Some of the IT demands have been met. Withholding fees on technical services should be extended to the double taxation treaties also. Nil custom duties on ITA items will cut costs, though restricting the countervailing duty set off only to excise duty is restrictive. The fringe benefits tax is worrisome. If the intent is only to tax some fringe benefits not currently taxed, it is reasonable. But the definitions look very wide right now?

## ADDED ADVANTAGE

Issue Open During March

<p>5.4% p.a. for 5 years on Annual Option (with 3 years Put/Call Option)</p> <p>5.7% Annual Return on Cumulative Option</p> <ul style="list-style-type: none"> <li>• No TDS on interest</li> <li>• Half yearly, yearly and cumulative interest options available</li> <li>• Personalised customer service</li> <li>• Wide network &amp; service centres across the country</li> <li>• Over 95,000 satisfied investors</li> <li>• Total owned funds Rs. 22,371 crores.</li> </ul>	<p>5.5% p.a. for 5 years on Annual Option (with 3 years Put/Call Option)</p> <p>5.8% Annual Return on Cumulative Option</p> <ul style="list-style-type: none"> <li>• NPAs 0.0016%</li> <li>• Capital Adequacy ratio 39.41%</li> <li>• Redemption without surrendering of Bond Certificate</li> <li>• Electronic Clearing System facility available</li> <li>• Easy issuance of Bonds</li> <li>• Demat Facility available on fresh application</li> </ul>
--	--

**NABARD**  
CAPITAL GAINS BOND  
SAFETY SERVICE SECURITY

**National Bank for Agriculture and Rural Development**

NABARD is fully owned by Govt. of India and Reserve Bank of India  
Revitalising rural India through urban support

Plot No C-24, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai 400051.

Customer Care Cell - Mumbai: Tel: 022-26539060, 022-26539078, 022-26539072 Mobile: 9821319660  
Regional Offices (North) - Bhopal 9893120608 • Chandigarh 9972683548 • Dehradun 2748610 • Jaipur 9828114400 • Jammu 2432524 • Lucknow 9839075491 • New Delhi 9810677548 • Raipur 2692455 • Shimla 2822567, 2822258  
For details, visit NABARD's website at [www.nabard.org](http://www.nabard.org)

**FISCAL POLICY**

■ **Goal:** Eliminate revenue deficit of the Centre by 2009

■ **Achievement:** This is an objective enshrined in the Fiscal Responsibility and Budget Management Act (2003). The act stipulates that the revenue deficit must be reduced by a minimum of 0.5 per cent of GDP per annum. The original deadline of March 31, 2008, for the elimination of the revenue deficit has been pushed back by a year. However, for 2005-06, the process of correction has been halted. The budget estimate for 2004-05 was Rs 76,171 crore (or 2.5 per cent of GDP). BE for 2005-06 is Rs 95,312 crore.

■ **Goal:** Subsidies will be made explicit and provided through the budget. All subsidies to be targeted sharply at the poor and the truly needy.

■ **Achievement:** Prime Minister Manmohan Singh announced on February 10 that the government would formulate a national subsidies policy within six months to ensure that the benefits reach the targeted section of population and do not end up as wasteful spending.

The measurement of the real subsidy poses problems because of implicit subsidies that are paid out in the form of tax exemptions. Total central government subsidies, as a proportion of GDP, amounted to 4.25 per cent in 2002-03 and 4.18 per cent in 2003-04.

Only a part of the central government subsidies is clearly visible in the budget document. Such explicit subsidies, mainly on food, fertiliser and petroleum, account for about 38 per cent of total government subsidies.

■ **Goal:** Undertake major tax reforms designed to expand the base of taxpayers and increase tax compliance.

■ **Achievement:** The country has a very small taxpayer base: finance minister Chidambaram said there were 2.7 crore assesses in his July 2004 budget speech. The government wants to triple that number. It can't bite the bullet and tax farm incomes; the only way is to increase tax compliance. The UPA government has yet to come up with a credible plan to widen the tax net. Corporate and income taxes together account for Rs 139,365 crore (BE for 2004-05) or 43.8% of the country's total tax revenue of Rs 317,733 crore.

■ **Goal:** Special schemes to unearth black money and assets to be introduced.

■ **Achievement:** Both the reformists in the UPA government — Manmohan

# See-saw soprano

One is the reform evangelist, the other a dream merchant. This time, they team up to author an opus that promises to open a new chapter in the reforms story

Singh and P. Chidambaram — had come out with amnesty schemes in the budgets for 1991 and 1997, respectively, to flush out black money. The common minimum programme talks about it.

**INDUSTRY**

■ **Goal:** FDI to be actively sought particularly in areas of infrastructure, high-technology and exports. Increase FDI flows by 2 to 3 times.

■ **Achievement:** The government is trying hard to come good on its promise despite the opposition from the Left. Days before presenting the budget, finance minister P. Chidambaram came out with a notification giving state-run banks the freedom to buy out domestic and foreign banks, merchant bankers and finance corporations without having to seek prior government approval. The government has been planning to introduce a swathe of reforms that include permission to foreign banks to hold

665 FIs registered with Sebi, the going seems to be good this year: since January 2005, net investment by the FIs has touched \$1.67 billion (or Rs 7369.6 crore). The grand total for net FII investment in the country since the doors were thrown open amounts to \$33.8 billion.

**JOBS**

■ **Goal:** Provide at least 100 days of employment a year to one member of every poor household at the minimum wage.

■ **Achievement:** The pilot scheme was launched in Andhra Pradesh last August and the government intends to take it nationwide in phases. The law ministry is working on a legislation that will be introduced in Parliament to make the promise legally binding. This is one of the key planks of the UPA's common minimum programme, but there are too many loose ends that need to be tied up before it can take a credible shape.

**SAVINGS**

■ **Goal:** Interest rates will provide incentives both to investors and savers, particularly pensioners and senior citizens.

sisted from cutting the 8 per cent rate on the Special Deposit Scheme (where EPF managers park 80 per cent of funds).

**LABOUR**

■ **Goal:** Rejects the idea of automatic hire and fire. However, labour laws other than the Industrial Disputes Act that create an Inspector Raj will be re-examined and procedures harmonised and streamlined. Trade unions will be consulted on labour law changes

■ **Achievement:** This is a potentially inflammatory issue that could wreck the government's fragile relationship with the Left and the trade unions. Nevertheless, the Prime Minister has put this on the six-month business agenda for his government that he unveiled early this month. The government wants to take a first tentative step in this direction by creating a new set of labour laws in the special economic zones (SEZs) but is being thwarted by the Left.

**STATES**

■ **Goal:** Interest rates on loans to states will be reduced and the share of states in

the single, divisible pool of taxes enhanced.

■ **Achievement:** The government has acted on this objective just before the budget by accepting in toto the recommendations of the Twelfth Finance Commission. As a result, the states' share from the central pool of taxes will go up to 30.5 per cent from the current level of 29.5 per cent. The Centre will suffer a Rs 26,000 crore hit in 2005-06 as a consequence of the decision. The finance commission had also suggested debt relief by rescheduling all outstanding loans of central loans to states totalling Rs 1,28,796 crore. Under the scheme, the Centre will reschedule all loans with a fresh tenure of 20 years and a lower interest rate of 7.5 per cent against the current rate of 9 per cent. The debt relief will work out to Rs 21,276 crore in interest payments and another Rs 11,929 crore in repayments during 2005 to 2010.

**PUBLIC SECTOR**

■ **Goal:** Profit-making companies will not be privatised. All privatisations will be considered on a transparent and consultative case-by-case basis. Existing 'navaratna' companies to remain in the public sector but will be allowed to raise resources from the capital market

■ **Achievement:** The dreaded P-word spells trouble for the UPA government which pared its budget estimate for divestment proceeds to just Rs 4,000 crore in 2004-05. The Left is opposed to the selloff of the government's stake in PSUs, especially profit-making ones. The government is now talking of partly diluting its stake by allowing more PSUs to go to the capital market.

**AGRI SECTOR**

■ **Goal:** Farmers all over the country will receive fair and remunerative prices. The terms of trade will be maintained in favour of agriculture. The burden of debt and high interest rates on farm loans eased

■ **Achievement:** The NDA government's India Shining campaign ahead of the general elections last May had incensed the farm lobby which felt it had been left out of the party. It voted with its feet and brought the UPA government to power. This is why the entire emphasis of Chidambaram's budget has been to focus on ways to improve conditions in the farm sector. But articulating goals is one thing, delivering them is quite another. The government has had several rounds of meetings with banks and Nabard to step up cheap farm sector loans during the year. But it's even more ambitious to talk of turning the terms of trade in favour of agriculture: it has been skewed against the farm sector for decades and it will be hard to restore the balance in a strongly consumerist economy.



up to 74 per cent of the equity in private banks against the current level of 49 per cent. The notification also allows banks to recruit top professionals and pay them fancy salaries if they so want to.

**CAPITAL MARKETS**

■ **Goal:** Financial markets will be deepened. Foreign investors will continue to be encouraged.

■ **Achievement:** The sustained inflow of FII funds has fuelled the bull rally on the markets all through last year. With

■ **Achievement:** Foreign direct investment (FDI) inflows have been stuck at around \$4 billion. After a bitter wrangle with the Left, the government has been able to ram through its proposal to raise the FDI cap in telecom and civil aviation. The next big push will be in banking, retailing and insurance — all huge red rag for the Left.

**BANKING**

■ **Goal:** Public sector banks will be given full managerial autonomy.

## Cup of joy for tea overflows

SUTANUKA GHOSAL

Calcutta, Feb. 28: The Indian tea industry has heaved a sigh of relief.

In Budget 2005-06, finance minister P. Chidambaram has removed the additional excise duty (AED) of Re 1 per kg of made tea. The industry has been clamouring for this relief for the last two years.

The AED of Re 1 per kg of made tea was imposed by Jaswant Singh in the Union Budget 2002-03.

An ecstatic C. K. Dhanuka, chairman of the Indian Tea Association, said: "We are extremely happy about the abolition of the AED. It has been a long-standing demand of the industry."

The abolition of AED will also help the tea-drinking population of the country. The prices of tea will not go up and may, in fact, be slashed. An expert committee will be set up to suggest measures to improve the price stabilisation



TURNING A NEW LEAF

fund for the plantation sector. While presenting the budget, Chidambaram said: "I am aware of the difficulties that the plantation sector has faced for some years now. While the prices of commodities such as tea and coffee have shown some improvement, the sector still faces difficulties. The price stabilisation fund has not proved very effective or popular."

He said: "In the case of tea, our comparative advantage has been eroded largely be-

cause of the declining productivity of tea. Government will examine ways and means of introducing a programme for massive replantation and rejuvenation. Suresh Bansal, president of the Tea Association of India welcomed the move for creating a special purpose fund for replantation and rejuvenation in order to increase land productivity.

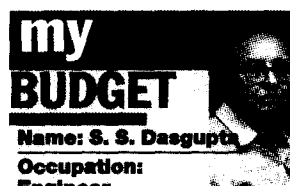
In September 2004, commerce minister Kamal Nath had announced to set up a fund which will be spend over

a period of 15 years for replantation and rejuvenation of the tea bushes. But the corpus has not yet been set up.

The Consultative Committee of Plantation Associations also welcomed the proposals in the budget relating to accelerated development of railway and highway infrastructure in the North east and the specific allocations made in the budget towards addressing the problems of flood damage afflicting the region.

Vinay Goenka, executive chairman of Warren Tea said that the reduction in corporate tax from 35 per cent to 30 per cent is also a relief to the tea industry. He said that as most of the tea companies will be carrying forward losses, the reduction in corporate tax to 30 per cent is welcome.

However, the industry is upset over the finance minister's decision to impose tax on withdrawal of more than Rs 10,000 per day in cash which will create difficulties in matters of labour wage and bonus disbursements.



Name: S. S. Dasgupta

Occupation: Engineer

**Expectation**  
Several things, but a relaxation in income tax was on the top of my wish list

**Happy With**

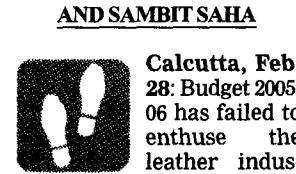
Pleased with the fact that the finance minister has given a consolidated exemption limit of Rs 1.5 lakh to senior citizens. The focus on social development is encouraging. The series of steps that the government plans to reduce the impact of floods will help millions. Upgrading IISC Bangalore to international standards is also something that will help India go places in the global market

**Sad About**

I can not understand the justification of imposing a tax on cash withdrawal from banks. Lowering of customs duty is fine, but I am concerned about its impact on domestic industry

## Achilles heel remains, moan footwear firms

SUTANUKA GHOSAL AND SAMBIT SAHA



FOR MORE TOEHOLD

Calcutta, Feb. 28: Budget 2005-06 has failed to enthuse the leather industry, even though the finance minister has proposed to reduce the customs duties on specified machinery and ethyl vinyl acetate (EVA) — an important raw material for the footwear industry.

The budget proposes to reduce the customs duties on seven specified machinery from 20 per cent to 5 per cent. The duty on ethyl vinyl acetate (EVA), an input for the footwear industry, is also proposed to be reduced from 20 per cent to 10 per cent.

M. Rafeeqe Ahmed, chairman of the Council for Leather Exports (CLE), said: "The leather sector, which has been recognised as a focus area in the common minimum

programme and in the foreign trade policy has not been given corresponding thrust in the budget."

He added that the industry had expected a special package of fiscal measures, with a view to encourage investments into this sector, which offers huge potential for growth and employment generation.

Any due thrust to this sector would have helped in achieving its target of doubling export to Rs 20,000 crore and creating additional employment to 3 lakh people, besides enhancing income to existing large workforce by 2010.

The CLE feels that certain policy support measures earlier sought for enhancing competitiveness in leather industry have not been considered in the budget. Some of these are central excise duty exemption on machinery and parts thereof, removal of central excise on footwear and footwear components, CVD exemption on tanning extracts etc.

However, a section of the industry was upbeat about the budget proposals saying it would boost the footwear industry that required modernisation by way of installing machines to meet the export requirement. From the present level of \$800 now, it can go up \$2.4 billion in next five years if everything put in place.

Machinery for leather is mainly imported from Italy. Given the fact that number of new footwear clusters are being developed across the country, the timing just could suit the industry.

Plan your life. Enjoy your future.



Life Insurance Corporation of India

Zindagi Ke Saath Bhi, Zindagi Ke Baad Bhi.





1/31/05

• AHMEDABAD
• BANGALORE
• CHANDIGARH
• CHENNAI
• HYDERABAD
• KOCHI
• KOLKATA
• MUMBAI
• NEW DELHI
• PUNE

UNBRICKS FOR BHARAT NIRMAN

MR SPEAKER, Sir, I rise to present the Budget for the year 2005-06. Last year, while presenting the Budget, I had suggested that the vote in Elections 2004 was a vote for change. It was, I believe, a vote in favour of a new leadership...

allocation for rural development will be Rs. 18,334 crore. On subsidy for fertilizers, the estimate is Rs. 16,254 crore. The estimated expenditure on health and family welfare is Rs. 10,280 crore.

Assault on Poverty & Unemployment Empowering the People India is not a poor country, yet a significant proportion of our people are poor. Poverty is not only income poverty...

Before I turn to the business of the day, I wish to record government's deep sorrow on the loss of lives, property and livelihood caused by the tsunami tragedy. So far, the government has approved relief packages amounting to Rs. 3,644 crore. The Planning Commission, which is coordinating the Tsunami Reconstruction and Rehabilitation Programme, has drawn up a programme at an estimated cost of Rs. 10,216 crore. I wish to assure the House, and the affected people, that the government will provide the necessary funds for the purpose and ensure that every affected family is fully rehabilitated.

Antyodaya Anna Yojana The Antyodaya Anna Yojana now covers 2 crore Below Poverty Line (BPL) families. The number will be increased to 2.5 crore families in 2005-06.

ICDS The universalisation of the Integrated Child Development Services (ICDS) scheme is overdue. My intention is to ensure that, in every settlement, there is a functional anganwadi that provides full coverage for all children. As on date, there are 6,49,000 anganwadis. I propose to expand the ICDS scheme and create 1,28,168 additional centres that are required as per the existing population norms. Forty seven per cent of children in the age group 3-6 are reportedly underweight. Supplementary nutrition is an integral part of the ICDS scheme. I propose to double the supplementary nutrition norms and share one-half of the States' costs for this purpose. I also propose to increase the allocation for ICDS from Rs. 1,623 crore in BE 2004-05 to Rs. 3,142 crore in BE 2005-06.

Mid-day Meal Scheme The Mid-day Meal Scheme for children has made a

Backward Regions Grant Fund. I may also point out that, recognizing the needs of Bihar, the TFC has made substantial grants amounting to Rs. 7,975 crore for the period 2005-10. Bihar has also been identified as one of the few States requiring special grants for the health and education sectors.

Government will also introduce the Rajiv Gandhi National Fellowship for SC and ST students for pursuing M.Phil and Ph.D. courses in selected universities. I propose to provide funds for 2000 Fellowships per year to be awarded from 2005-06 on the pattern of UGC Fellowships.

Women and Children Last July, I promised to consider gender budgeting. Hon'ble Members will be happy to note that I have included in the Budget documents a separate statement highlighting the gender sensitivities of the budgetary allocations under 10 demand heads for grants. The total amount in BE 2005-06, according to the statement, is Rs. 14,379 crore. Although this is another first in budget-making in India, it is only a beginning and, in course of time, all Departments will be required to present gender budgets as well as make benefit-incidence analyses.

Minorities Minorities would have to be brought more into the development process. I propose to increase the equity support, as may be required, for the National Minorities Development and Finance Corporation.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

Barat Nirman In his address to Parliament, the President outlined an overarching vision to build India, and called it 'Barat Nirman'. Barat Nirman has been conceived as a business plan, to be implemented over a period of four years, for building infrastructure, especially in rural India. It will have six components, namely, irrigation, roads, water supply, housing, rural electrification and rural telecommunication. In each of these areas, we must dare to be bold and set for ourselves high targets to be achieved by the year 2009.

The UPA Government's goals are:
• to bring an additional one crore hectares under assured irrigation;
• to connect all villages that have a population of 1000 (or 500 in hilly/tribal areas) with a road;
• to construct 60 lakh additional houses for the poor;
• to provide drinking water to the remaining 74,000 habitations that are uncovered;
• to reach electricity to the remaining 1,25,000 villages and offer electricity connection to 2.3 crore households; and
• to give telephone connectivity to the remaining 66,822 villages.

'Barat Nirman' will require huge resources. Government believes that Barat Nirman is an achievable project, and it is our intention to give rural India a new deal fully involving the Panchayati Raj Institutions in the planning and implementation.

Investment I now turn to investment which is the paramount requirement to consolidate the growth process. In agriculture, we shall enhance public and private investment in the infrastructure required to support expansion, diversification and value addition. In the industrial sector, both the public sector and the private sector will be allowed the space to grow and compete with each other. Government will play the leading role in providing and facilitating investment in public goods such as roads, railways, power, seaports and airports. In the services sector, Government will recognize the leading role played by the private sector, and provide a supportive policy environment and stable tax policies.

I am happy to announce that in 2005-06, the Government will provide equity support of Rs. 14,040 crore and loans of Rs. 3,554 crore to Central Public Sector Enterprises (including Railways).

Success, however, will ultimately depend upon our ability to finance the growth. Government will, therefore, through a mix of right policies and prudent tax

promote savings and devise ways and means to channel these savings into productive investment. The capital market, banks, insurance companies, pension funds and superannuation funds would have a crucial role in mobilizing and disbursing the financial resources required to sustain high investment.

Agriculture With about two thirds of the population dependent on agriculture, and the sector contributing only 21% of GDP in 2003-04, it is imperative that we address the problems of our farmers with a sense of urgency. Agriculture being a State subject, the bulk of public investment in agriculture takes place at the State level and the Central Government's support to States acts as a catalyst.

Inland agriculture has indeed diversified from food grains to other crops, but more needs to be done. The Ministry of Agriculture will prepare a national strategy for agricultural diversification. The road map will focus on fruits, vegetables, flowers, dairy, poultry, fisheries, pulses and oilseeds.

The National Horticulture Mission, announced in the last Budget, will be launched on April 1, 2005. I propose to allocate Rs. 630 crore in 2005-06 for the Mission. The Mission will ensure an end-to-end approach having backward and forward linkages covering production, post-harvest management, processing and marketing, under one umbrella, in an integrated manner. As the Mission gathers pace, more funds will be provided.

I am aware of the difficulties that the plantation sector has faced for some years now. While the prices of commodities such as tea and coffee have shown some improvement, the sector still faces difficulties. The Privatization Bill has not provided very effective support. Therefore, Government has set up an expert committee to suggest improvements to the Fund and its operation. In the case of tea, our comparative advantage has been eroded largely by the import of declining grades of tea. The Government will examine ways and means of introducing a programme for massive replantation and rejuvenation.

Government proposes to introduce a new scheme called Development/Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization. The goal of this scheme is to induce large investments from the private and cooperative sectors in setting up agricultural markets, marketing infrastructure and support services such as grading, standardization and quality certification. Assistance will be available in the form of credit link, back-end subsidy and processing fee support to implement the scheme through the National Bank for Agricultural and Rural Development (NABARD) and the National Cooperative Development Corporation (NCDC) in those States which amend their Agricultural Produce Marketing Committee (APMC) Acts. I propose to allocate Rs. 72 crore for the new scheme.

The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal. I propose to provide Rs. 8,000 crore in 2005-06 also.

The Macroeconomic Backdrop

The Immediate Past: Where We Were in 2003-04

In May 2004, the UPA government inherited an economy that had, as we now know, registered a growth rate of 8.5% in 2003-04 on the back of a poor 4% in the previous year. While growth was indeed strong, the impressive growth rate was due largely to the restoration of output in the agriculture and allied sector. I had then commented that my immediate predecessor was a very lucky man, even while his predecessor was not. Notwithstanding the high growth rate, there were several disturbing trends which came to notice in May 2004. The first was the liquidity overhang at the end of 2003-04 which had spilled over into 2004-05. The second was the definite buildup of inflationary pressures as a result of a sharp rise in global petroleum prices. The third was an unanticipated 13% deficiency in the south-west monsoon. The fourth was an apparent decline in business confidence that had led to a sharp decline in new investment, and also showed up as current account surpluses. By any standard, these were formidable challenges, but the UPA Government was prepared to face these challenges.

The Present: Where We Are in 2004-05

The National Common Minimum Programme (NCMP) mandated the Government to maintain a growth rate of 7-8% a year, to promote employment, generate employment, to accelerate fiscal consolidation, to ensure a higher fiscal devolution, and to focus on agriculture, manufacturing and infrastructure. The NCMP also mandated the government to provide universal access to education and health care and to assist one hundred days of employment to one person in each family. I believe that, in the space of 9 months, we have risen to the challenge and carved out many successes. According to the Central Statistical Organization, the growth rate in the current year is estimated to be 6.9 per cent, with the manufacturing sector expected to grow at 8.9 per cent.

Inflation which touched a high of 8.7% on August 28, 2004, has been reined in. As on February 12, 2005, the rate of inflation was 5.01% which is more than one percentage point lower than what it was in the same week in the previous year. Inflation based on CPI for industrial workers was lower, and stood at 3.8% in December, 2004.

Business confidence has been restored and investments in 2004-05 have been buoyant. Non-food credit has increased by 21.2%.

As the year draws to a close, we can predict confidently that all the engines of the economy are running at a near full speed. We have also fulfilled many of our promises to the common citizen. Last year, I had promised that agricultural credit will be increased by 30 per cent, and I am happy to inform the House that, against the announced target of Rs. 105,000 crore, we are likely to achieve a disbursement of Rs. 108,500 crore. Public sector banks and regional rural banks have added so far 58,20 lakh new farmers to their portfolio of borrowers. I had promised that education loans would be given liberally to students. As against 1,08,000 loans amounting to Rs. 1,983 crore given in 2003-04, 1,40,000 loans amounting to Rs. 2,249 crore have been given up to December 31, 2004. I had promised that the number of families covered under the Antyodaya Anna Yojana will be increased from 1.5 crore families to 2 crore families, and that promise has been kept. I had promised that a redesigned Food for Work Programme will be launched in 150 districts. That was done on November 14, 2004. I had promised that a National Rural Employment Guarantee Bill will be introduced. That has been done. I had promised that we would promote the concept of Self-Help Groups vigorously. In the current year, against the target of 1.85 lakh SHGs, we have already credit-linked 2.26 lakh SHGs, and we have disbursed credit to the tune of Rs. 1,197 crore. Hon'ble Members will note that in each of these areas the focus of the Government's attention has been the common citizen - be it farmer, student, self-employed woman or labourer in search of work and food.

The Year Ahead: Where We Want To Be 2005-06

Growth, stability and equity are mutually reinforcing objectives. The NCMP leans towards decisive intervention by the State in favour of the poor. Given the resilience of the Indian economy, it is possible to mobilize the resources and launch a direct assault on poverty and unemployment. That is the only way to bring immediate relief to the aam admi.

The Big Picture

Let me first give the big picture. In 2004-05, Gross Budgetary Support (GBS) for the Plan was Rs. 145,590 crore to which we added Rs. 2,000 crore subsequently. As I shall explain later, the pattern of funding has changed according to the recommendations of the Twelfth Finance Commission (TFC). On a like-to-like basis, GBS for the Plan in 2005-06, works out to Rs. 172,500 crore. This represents an increase of 16.9 per cent. Support for the Central Plan in BE 2004-05 was Rs. 87,886 crore and in BE 2005-06 this has been enhanced to Rs. 110,385 crore, representing a very substantial increase of 25.6 per cent. On priority sectors and flagship programmes falling under the NCMP, I propose to provide an additional sum of Rs. 25,000 crore in the next year. For example, the allocation for education in 2005-06 will be Rs. 18,337 crore. Next only to education, the plan



STICK TO THE POINT, PAL

runs through the various schemes and programmes is creation of jobs. Assured irrigation facilities to an additional 1 crore hectares of land over a period of five years will generate employment for an additional 1 crore people at the rate of 1 person per hectare. The food processing industry is growing at a rate which generates 2.5 lakh jobs every year. The textile sector alone has the potential to create 1.2 crore jobs over the next 5 years. The information technology (IT) industry is expected to offer an additional 70 lakh jobs by 2009. Construction industry is also expected to throw up lakhs of jobs. Sectors with potential for generating employment will receive the highest attention of the Government.

National Rural Employment Guarantee Scheme

After the National Food for Work programme was launched in November 2004, provision was made for the cash component and the foodgrain component. In overall terms, the expenditure in the current year is estimated at Rs. 4,020 crore. For 2005-06, a provision of Rs. 5,400 crore for the cash component and 50 lakh MT of foodgrains have been made and, in overall terms, the allocation will increase to Rs. 11,000 crore. It is government's intention to convert this programme into the National Rural Employment Guarantee Scheme. When fully rolled out, the scheme will provide livelihood security for crores of poor families, and I promise to find the money for the programme.

National Rural Health Mission

The National Rural Health Mission (NRHM) will be launched in the next fiscal. Its focus will be strengthening primary health care through grass root level public health interventions based on community ownership. The total allocation for the Department of Health and the Department of Family Welfare will increase from Rs. 8,420 crore in the current year to Rs. 10,280 crore in the next year. The increase will finance the NRHM and its components like training of health volunteers, providing more medicines and strengthening the primary and community health centre system. I am also happy to announce that work on the six AIIMS-like institutions will start next year to augment medical education in deficient States.

promising start throughout the country. 11 crore children are covered today. The Central Government is now providing the cost of food grains as well as the conversion cost at the rate of Re.1 per child. The allocation in BE 2004-05 was Rs. 1,675 crore. I propose to increase the allocation for the next year to Rs. 3,010 crore.

Sarva Shiksha Abhiyan

The Sarva Shiksha Abhiyan programme is the cornerstone of the Government's intervention in basic education for all children. Sarva Shiksha Abhiyan was allocated Rs. 3,057 crore in the Budget Estimates for 2004-05. During the course of the year, I enhanced the allocation to Rs. 4,754 crore. A non-lapsable fund called 'Prarambhik Shiksha Kosh' has been created for funding this programme. I propose to increase the allocation to Rs. 7,156 crore in 2005-06.

Drinking Water and Sanitation

All drinking water schemes have now been brought under the Rajiv Gandhi National Drinking Water Mission. In the current year, so far, 31,355 uncovered rural habitations have been provided drinking water facilities. During 2005-06 the emphasis will be on covering more habitations. Emphasis will also be laid on tackling water quality in about 2.16 lakh habitations in Andhra Pradesh, Gujarat, Karnataka, Rajasthan, West Bengal and some other States. I propose to increase the outlay for the Mission from Rs. 3,300 crore in the current year to Rs. 4,750 crore in the next year. Sanitation, however, remains critically deficient. Only about 30% of the rural households have access to safe sanitation facilities. The Total Sanitation Campaign (TSC) now operates in 452 districts. Government intends to extend the TSC to all districts, and I propose to allocate Rs. 630 crore for the next year. Scheduled Castes and Scheduled Tribes I wish to restate my commitment to inclusive economic growth. It is important to bring scheduled castes and scheduled tribes into the development process. For the first time, you will find in the Budget papers a separate statement on schemes for the development of SCs and

by the year 2009. The UPA Government's goals are:
• to bring an additional one crore hectares under assured irrigation;
• to connect all villages that have a population of 1000 (or 500 in hilly/tribal areas) with a road;
• to construct 60 lakh additional houses for the poor;
• to provide drinking water to the remaining 74,000 habitations that are uncovered;
• to reach electricity to the remaining 1,25,000 villages and offer electricity connection to 2.3 crore households; and
• to give telephone connectivity to the remaining 66,822 villages.

Backward Regions Grant Fund

Since the announcement in the last Budget of a Grant Fund for backward districts, a lot of thought has gone into the proposal. An Inter-Ministerial Group (IMG) has identified 170 backward districts based on certain socio-economic variables. The IMG has also proposed that resources under the new facility will be conditional on Panchayati Raj institutions being properly empowered, including devolution of functions and funds. I propose to accept the recommendations of the IMG, and I am happy to announce the establishment of a Backward Regions Grant Fund. An allocation of Rs. 5,000 crore has been made in the Plan for 2005-06, and an equal amount will be allocated every year in the next four years. Consequently upon the establishment of the Fund, the existing Rashtriya Sam Vikas Yojana (RSVY), envisaged to end in 2006-07, will be wound up with suitable transition arrangements that will protect every district now covered under RSVY.

Bihar

The NCMP refers to special economic packages for Bihar, Jammu & Kashmir and the North Eastern Region. Till now, Bihar received special assistance through the RSVY. The transition arrangements under RSVY will continue until 2006-07. Meanwhile, the backward districts of Bihar will begin to receive assistance from the

Water Resources, Flood Management and Erosion Control The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal

I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control

The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal

I propose to provide Rs. 8,000 crore in 2005-06 also.

Water Resources, Flood Management and Erosion Control

The National Project, announced by me last July, for the repair, renovation and restoration of water bodies will be launched in the month of March 2005. The pilot project, planned for 16,000 water bodies and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation. The allocation for the pilot project has been increased to Rs. 100 crore in 2005-06.

Uttar Pradesh, Bihar and West Bengal

I propose to provide Rs. 8,000 crore in 2005-06 also.

Advertisement for Cosmos Power Filter Programme and Air Sahara. Text includes: 'on air tickets. Earn your miles on Cosmos. Redeem them for air tickets and holiday packages.' Logos for Cosmos and Air Sahara are present. Website: www.airsahara.net

# The Speech

At present, micro finance institutions (MFIs) obtain finance from banks according to guidelines issued by RBI. MFIs seek to provide small scale credit and other financial services to low income households and small informal businesses. Government intends to promote MFIs in a big way. The way forward, I believe, is to identify MFIs, classify and rate institutions, and empower them to intermediate between lending banks and the beneficiaries. Commercial banks may appoint MFIs as 'banking correspondents' to provide transaction services on their behalf. Since MFIs require infusion of new capital, I propose to re-designate the existing Rs 100 crore Micro Finance Development Fund as the 'Micro Finance Development and Equity Fund', and increase the corpus to Rs 200 crore. The fund will be managed by a Board consisting of representatives of NABARD, commercial banks and professionals with domain knowledge. The Board will be asked to suggest suitable legislation, and I expect to introduce a draft Bill in the next fiscal year.

**Micro Insurance**  
The benefits of opening the insurance sector are now visible by way of vast improvement in insurance penetration and insurance density, and the availability of a wide variety of products. Government would like to see these benefits percolate to rural India and to the vulnerable sections of the population. Micro insurance is a distinct product. Its design and delivery are specialized functions. The Insurance Regulatory Development Authority (IRDA) has published draft Regulations for micro insurance. NGOs, SHGs, cooperatives and MFIs will be invited to become micro insurance agents. Government will extend full support to the effort of IRDA to promote micro insurance.

**A Knowledge Centre in Every Village**  
The National Commission on Farmers has recommended the establishment of Rural Knowledge Centres all over the country using modern information and communication technology (ICT). Mission 2007 is a national initiative launched by the Government comprising nearly 80 organizations including civil society organizations. Their goal is to set up a Knowledge Centre in every village by the 60th anniversary of Independence Day. Government supports the goal, and is glad to announce that Government has decided to fund the initiative, and route its support through NABARD. I propose to allow NABARD to provide Rs 100 crore out of RIDF.

**Agricultural Research**  
Agricultural research has a vital role to play in the strategy for reviving and encouraging diversification. Our agricultural universities and research institutions have done good work in the past and now need to be strengthened and modernized. A Task Force headed by Dr. M.S. Swaminathan has recommended the creation of a National Fund for Strategic Agricultural Research. I am happy to announce an initial provision of Rs 50 crore for operationalizing this Fund.

## Manufacturing

India should build on its manufacturing capacities at scale than any other country. Both the Investment Commission and the National Manufacturing Competitiveness Council have started work in right earnest. I believe we shall reap the first successes of their work in the next financial year.

Workforce in manufacturing has driven growth. In order to revive the manufacturing sector, particularly small and medium enterprises, and to enable them to adjust to the competitive pressures caused by liberalization and moderation of tariff rates, I propose to launch a new scheme, especially in the handloom and powerloom segments. The scheme will be called the 'Manufacturing Competitiveness Programme'. The design of the scheme will be worked out by the National Manufacturing Competitiveness Council in consultation with the industry.

**Textiles**  
In the last Budget, I made a beginning in addressing the tax-induced rigidities in the textile sector in order to prepare the sector for the post-quota regime. There is a new vigour in the industry. Government will continue to nurture the textile sector which has huge potential for employment and exports. The estimate of investment made in 2004-05 is Rs 20,900 crore. The estimate for the next year is Rs 30,000 crore. The Investment Commission (FUP) scheme is being continued with an enhanced allocation of Rs 435 crore. I propose to introduce a 10% capital subsidy scheme for the textile processing sector in addition to the normal benefits available under the FUP scheme.

I think it is necessary to lend further help to the handloom sector. The Government proposes to adopt the cluster development approach for the production and marketing of handloom products. The Ministry of Textiles will take up 20 clusters in the next year, and the amount will be provided during the course of the year.

The Government is implementing a life insurance scheme for handloom weavers which provides insurance cover up to Rs 30,000. The scheme is now being rolled out to cover 2 lakh weavers. I propose to increase the coverage of the scheme to 20 lakh weavers in two years which will cost Rs 30 crore per year when fully rolled out. The Government is also implementing a health insurance package for weavers. Here too the coverage is now only for 25,000 weavers. I propose to increase the coverage to 2 lakh weavers at a recurring cost of Rs 30 crore per year. One of the new and enlarged schemes are approved. I propose to provide the required funds.

**Sugar Industry**  
The sugar industry has been under financial stress since 2001. The position became worse due to two successive droughts in certain parts of the country. The Tata Committee appointed by the Government has submitted its report. After a careful examination of the report, and after consulting RBI and NABARD, I propose the following financial package for the revitalization of the sugar industry:

- Sugar factories that were operational in 2002-03 sugar season will be asked to contribute to NABARD, in consultation with State Governments, RBI, banks and financial institutions will work out a scheme for providing a financial package with a moratorium of two years, on both principal and interest, and a schedule of payment having regard to the company's viability each year.
- Government has already reduced the rate of interest on loans from the Sugar Development Fund to 2 percentage points below the bank rate. I propose to make the same rate applicable to outstanding loans as on October 21, 2004.
- Indian Banks' Association (IBA) and NABARD will be asked to work out a scheme under which individual sugar factories may renegotiate the rate of interest on their past high interest loans.

**Pharmaceuticals and Biotechnology**  
Our human resource base gives us an exceptional advantage in pharmaceuticals and biotechnology. The Indian pharmaceutical industry has declared its preparedness to produce drugs under the new patent regime. Government has already set up a Rs 150 crore research and development corpus fund for the industry. The corpus deserves to be increased, and I propose to do so in phases beginning next year. India has also the potential to become an attractive destination for outsourcing in drug discovery and clinical research, and for co-development of drugs and manufacturing. In biotechnology, the industry has the potential to be a global leader supplying novel technologies and products to the health and agriculture sectors. Government will provide a stable policy environment and necessary incentives to help the two industries become world leaders.

**Small and Medium Enterprises**  
In recent years, our approach to small scale industry has evolved, and now we are inclined to treat the sector as the small and medium enterprises. Continuing the process initiated a few years ago, after consulting stakeholders and on the recommendation of the Advisory Committee, the Ministry of Small Scale Industries has identified 108 items for de-reservation. Among them, I would like to mention 30 items in the category of small products, including 'bosties', which is a sector poised for rapid growth.

In the last Budget, I had significantly liberalized the capital subsidy scheme, and a provision of Rs 135 crore was made for 'Promotion of SSI Scheme'. This provision is being enhanced to Rs 173 crore in 2005-06. Small Industries Development Bank of India (SIDBI) has established this year a SME Growth Fund with a corpus of Rs 500 crore. Small and medium units in knowledge-based industries such as IT, biotech, and IT will be provided equity support through this fund.

There is a need for new legislation that will provide a supportive environment for small and medium enterprises. I am glad to inform the House that my colleague, the Minister of Small Scale Industries, has introduced in this session the Small and Medium Enterprises Develop-

ment Bill. Skills Training  
Skill development, especially for youth who have only minimal formal education, is an area which can no longer be ignored. Last July, I had proposed a programme to upgrade 500 Industrial Training Institutes (ITIs). I am happy to inform the House that in the current year, 100 ITIs have been identified. Out of them, 81 ITIs in 15 States/Union Territories have been linked with industry and will be upgraded at a cost of Rs 1.6 crore each.

There is a demand for specific skills of a high order which is often unmet. I, therefore, propose a Public-Private Partnership between Government and industry that will take up the skills development programme under the name Skills Development Initiative or SDI. Details of the scheme will be worked out and announced shortly.

**Foreign Trade**  
We shall build on the growing external strengths of the economy. Government has delivered on the promise to accelerate foreign trade. In April-January 2004-05 exports and imports have grown by 25.5% and 34.72 per cent, respectively in US dollar terms. Government has fixed an ambitious target of US\$ 150 billion for exports by the year 2008-09 in order to double India's share in world exports to 1.5 per cent. We intend to further liberalize trade policy and extend full support to the efforts of our exporters.

**Foreign Direct Investment**  
On foreign direct investment (FDI), I would urge Hon'ble Members to take a pragmatic view. At the recent meeting of the Finance Ministers of G-7 countries, to which India and China were invited, the Finance Minister of China looked in my direction and told the gathering that China had received US\$ 500 billion worth of foreign investment since China opened its economy in 1980. Of this, nearly US\$ 60 billion came in calendar 2004. Our own experience has been that the automobile, software, telecommunication and electronics sectors have benefited from FDI and have assimilated themselves into the global production chain. I believe that there are opportunities in other sectors as well, such as mining, trade and pensions. Government will, after due consultation, come forward with suitable proposals.

## Infrastructure

**Telecommunications**  
Telecommunication is the best way to provide connectivity in urban and rural India. By the end of January 2005, we had achieved a tele-density of 8.75 per cent. However, we are concerned with the low tele-density in rural areas. So far, Government has released Rs 1,700 crore to the Universal Service Obligation (USO) Fund, which has been fully utilized. A provision of Rs 1,200 crore has been made for 2005-06. 1,687 subdivisions will get support under the USO Fund for rural household telephony. 5.20 lakh village public telephones have been installed so far, and BSNL has undertaken to provide VPTs in the next three years to the remaining 66,822 revenue villages.

**National Highway Development Project**  
National Highway Development Project (NHDP) has made steady progress, and 5,172 kms of National Highways have been four-laned till January 2005 under NHDP Land NHDP II. To be launched in the next fiscal, NHDP III will target selected high density highways across the country. So far, Government has released Rs 1,000 crore to the National Highway Development Project (NHDP). In order to create a level playing field for banks and non-banking financial institutions for such units, I propose to bring the Indian corporate market closer to international standard. I propose to rationalize the stamp duty so that it applies uniformly regardless of the issuing entity.

**Stamp Duty on Stock Exchange Capitalization**  
The Securities Contracts (Regulation) Act, 1956, as amended recently, requires all stock exchanges to be corporatized and de-mutualized. Three stock exchanges are in the process of being corporatized. In order to facilitate their corporatization, I propose to grant a one-time exemption to them from stamp duty on the notional transfer of assets.

**Stamp Duty on Commercial Paper**  
In order to create a level playing field for banks and non-banking financial institutions for such units, I propose to bring the Indian corporate market closer to international standard. I propose to rationalize the stamp duty so that it applies uniformly regardless of the issuing entity.

**Mumbai - A Regional Financial Centre**  
When I look at the map of the world, I am struck by the strategic location of Mumbai. It lies almost midway between London and Tokyo, two nerve centres of world finance. Mumbai is also home to the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) which have made Mumbai a global financial centre. Changes of the world by the number of trades per year. In the last decade, we have built world class institutions on the securities markets and we now compare with the best in terms of technological sophistication, risk management and sound governance. Believe the time has come to begin work on making Mumbai a regional hub for finance. In consultation with the RBI, I propose to appoint a high powered expert committee to advise the Government on how to make Mumbai a regional financial centre.

**Gold Units**  
Ten years ago we embarked on the process of ensuring that gold inflows are through the official channels alone. I believe that we are now in a position to introduce gold units and create a market for such units. I propose to ask SEBI to permit, in consultation with RBI, mutual funds to introduce Gold Exchange Traded Funds (GETFs) with gold as the underlying asset, in order to enable any household to buy and sell gold units for as little as Rs 100. Such units could be traded in the same manner as units of mutual funds.

**Other Proposals**  
**Institutions of Excellence**  
On January 6, 2005, the Prime Minister spoke about his intention to set up a Knowledge Commission to look into the issues, especially debt of longer term maturity. Government believes that investments in institutions of higher education and Research and Development organizations are as important as investments in physical capital and physical infrastructure. What we need are world class institutions. We must make the investment in the right institutions. We must have a university that will be ranked alongside Oxford and Cambridge or Harvard and Stanford. I am happy to inform the House that we have selected the Indian Institute of Science (IISc), Bangalore, to set up a light rail metro system for research and development. We shall work to make IISc, in a few years, a world class university. I propose to provide an additional sum of Rs 100 crore as a grant for this purpose.

In a remarkable display of the spirit of cooperative federalism, the States are poised to undertake the most important tax reform ever attempted in this country. All States have agreed to introduce the value added tax (VAT) which will replace the current sales tax. VAT is a simple and transparent tax system that will replace the existing sales tax and eliminate the cascading effect of sales tax. It is in force in more than 130 countries ranging from Sri Lanka to China. India too has a VAT at the Central level (CENVAT), but only for goods.

In the medium to long term, it is my goal that the entire production-distribution chain should be covered by a national VAT - or even better, a goods and services tax, encompassing both the Centre and the States. The empowered committee of State Finance Ministers, with the solid support of the Chief Ministers, has laboured through the last 7 years to arrive at a framework acceptable to all States. The Central Government has promised its full support and has also agreed to compensate States for the revenue loss that will be suffered in the event of any revenue loss. I take this opportunity to pay tribute to the Empowered Committee, and wish the States success on the introduction and implementation of VAT.

**Fifth Finance Commission**  
On February 26, 2005 I laid before Parliament the recommendations made by the Twelfth Finance Commission (TFC). TFC's recommendations cover tax devolution, grants to States, debt relief, financing of relief expenditure and related matters. States stand to gain considerably by the award.

However, the implementation of the TFC recommendations will put a large burden on Central finances through the period 2005-10, and especially in the first year. The empowered committee of State Finance Ministers will take place. Consolidation and rescheduling of Central loans, reduction in the interest rate and specific grants under different heads will affect both capital and revenue receipts of the Central Government. The total impact on the Central budget for 2005-06 is approximately Rs 26,000 crore or an addition of three-quarters of a percentage point as a proportion of GDP. Needless to say, this will have an impact on Government's capacity to abide by the Fiscal Responsibility and Budget Management Act (FRBM) in 2005-06.

**Defence Expenditure**  
Last July, in order to catch up with the backlog of expenditure that had not been provided for, I had increased the allocation for Defence to Rs 77,000 crore. I am happy to inform the House that the defence expenditure in 2004-05 has matched the Budget Estimates. I propose to increase the allocation for Defence in 2005-06 to Rs 83,000 crore, which will include an allocation of Rs 34,375 crore for capital expenditure.

**Fiscal Consolidation**  
The current phase of high growth provides us an opportunity that should not be frittered away. We must use this opportunity to improve the fiscal health of the country. We must increase our revenues and reorient expendi-

ture to pay for more outlays on education, health and infrastructure.

**Outlays versus Outcomes**  
At the same time, I must caution that outlays do not necessarily mean outcomes. The people of the country are concerned with outcomes. The Prime Minister has repeatedly emphasized the need to improve the quality of implementation and enhance the efficiency and accountability of the delivery mechanism. During the course of the year, together with the Planning Commission, we shall put in place a mechanism to measure the development outcomes of all major programmes. We shall also ensure that programmes and schemes are not allowed to continue indefinitely from one Plan period to the next without an independent and in-depth evaluation. Civil society should also engage Government in a healthy debate on the efficiency of the delivery mechanism.

**Subsidies**  
Following my announcement last July, I placed before Parliament a report on Central Government subsidies. There are three main products that involve large ex-cise duties: the FRBM Act, fertilizer and petroleum. Subsidies provide a measure of protection for the poor and we shall continue to provide subsidies. However, we must now take up the task of restructuring the subsidy regime in a cautious manner and after a thorough discussion.

The Ministry of Agriculture intends to make procurement of food grains more cost effective through decentralized procurement, especially in the non-traditional States, without impairing the present MSP-based procurement system. The FRBM Act, fertilizer and petroleum. Subsidies provide a measure of protection for the poor and we shall continue to provide subsidies. However, we must now take up the task of restructuring the subsidy regime in a cautious manner and after a thorough discussion.

The Ministry of Agriculture intends to make procurement of food grains more cost effective through decentralized procurement, especially in the non-traditional States, without impairing the present MSP-based procurement system. The FRBM Act, fertilizer and petroleum. Subsidies provide a measure of protection for the poor and we shall continue to provide subsidies. However, we must now take up the task of restructuring the subsidy regime in a cautious manner and after a thorough discussion.

**Capital Market**  
The capital market has emerged as a major vehicle for converting savings into investment. It is also the preferred investment destination of foreign savings. The steps announced by me last July, and implemented, have strengthened the capital market. It is time for more measures and, hence, I propose to:

- permit FDI to invest in securities, in cash or in kind, agreed to by SEBI, when trading derivatives on the domestic market;
- permit FDI to invest in securities, in cash or in kind, agreed to by SEBI, when trading derivatives on the domestic market;

While India's equity market has made progress, the corporate bond market still lags behind. In order to address this gap, I propose to:

- appoint a high-level expert committee on corporate bond market, in order to look into the legal, regulatory, tax and market design issues in the development of the corporate bond market;
- Over the counter (OTC) derivatives provides a crucial role in mitigating the credit risk of banks and other financial entities. There is, however, some ambiguity regarding the legality of OTC derivative contracts which has inhibited their growth. I, therefore, propose to take measures to provide for clear legal validity of such contracts.

**Stamp Duty on Stock Exchange Capitalization**  
The Securities Contracts (Regulation) Act, 1956, as amended recently, requires all stock exchanges to be corporatized and de-mutualized. Three stock exchanges are in the process of being corporatized. In order to facilitate their corporatization, I propose to grant a one-time exemption to them from stamp duty on the notional transfer of assets.

**Stamp Duty on Commercial Paper**  
In order to create a level playing field for banks and non-banking financial institutions for such units, I propose to bring the Indian corporate market closer to international standard. I propose to rationalize the stamp duty so that it applies uniformly regardless of the issuing entity.

**Mumbai - A Regional Financial Centre**  
When I look at the map of the world, I am struck by the strategic location of Mumbai. It lies almost midway between London and Tokyo, two nerve centres of world finance. Mumbai is also home to the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) which have made Mumbai a global financial centre. Changes of the world by the number of trades per year. In the last decade, we have built world class institutions on the securities markets and we now compare with the best in terms of technological sophistication, risk management and sound governance. Believe the time has come to begin work on making Mumbai a regional hub for finance. In consultation with the RBI, I propose to appoint a high powered expert committee to advise the Government on how to make Mumbai a regional financial centre.

**Gold Units**  
Ten years ago we embarked on the process of ensuring that gold inflows are through the official channels alone. I believe that we are now in a position to introduce gold units and create a market for such units. I propose to ask SEBI to permit, in consultation with RBI, mutual funds to introduce Gold Exchange Traded Funds (GETFs) with gold as the underlying asset, in order to enable any household to buy and sell gold units for as little as Rs 100. Such units could be traded in the same manner as units of mutual funds.

**Other Proposals**  
**Institutions of Excellence**  
On January 6, 2005, the Prime Minister spoke about his intention to set up a Knowledge Commission to look into the issues, especially debt of longer term maturity. Government believes that investments in institutions of higher education and Research and Development organizations are as important as investments in physical capital and physical infrastructure. What we need are world class institutions. We must make the investment in the right institutions. We must have a university that will be ranked alongside Oxford and Cambridge or Harvard and Stanford. I am happy to inform the House that we have selected the Indian Institute of Science (IISc), Bangalore, to set up a light rail metro system for research and development. We shall work to make IISc, in a few years, a world class university. I propose to provide an additional sum of Rs 100 crore as a grant for this purpose.

In a remarkable display of the spirit of cooperative federalism, the States are poised to undertake the most important tax reform ever attempted in this country. All States have agreed to introduce the value added tax (VAT) which will replace the current sales tax. VAT is a simple and transparent tax system that will replace the existing sales tax and eliminate the cascading effect of sales tax. It is in force in more than 130 countries ranging from Sri Lanka to China. India too has a VAT at the Central level (CENVAT), but only for goods.

In the medium to long term, it is my goal that the entire production-distribution chain should be covered by a national VAT - or even better, a goods and services tax, encompassing both the Centre and the States. The empowered committee of State Finance Ministers, with the solid support of the Chief Ministers, has laboured through the last 7 years to arrive at a framework acceptable to all States. The Central Government has promised its full support and has also agreed to compensate States for the revenue loss that will be suffered in the event of any revenue loss. I take this opportunity to pay tribute to the Empowered Committee, and wish the States success on the introduction and implementation of VAT.

**Fifth Finance Commission**  
On February 26, 2005 I laid before Parliament the recommendations made by the Twelfth Finance Commission (TFC). TFC's recommendations cover tax devolution, grants to States, debt relief, financing of relief expenditure and related matters. States stand to gain considerably by the award.

However, the implementation of the TFC recommendations will put a large burden on Central finances through the period 2005-10, and especially in the first year. The empowered committee of State Finance Ministers will take place. Consolidation and rescheduling of Central loans, reduction in the interest rate and specific grants under different heads will affect both capital and revenue receipts of the Central Government. The total impact on the Central budget for 2005-06 is approximately Rs 26,000 crore or an addition of three-quarters of a percentage point as a proportion of GDP. Needless to say, this will have an impact on Government's capacity to abide by the Fiscal Responsibility and Budget Management Act (FRBM) in 2005-06.

**Defence Expenditure**  
Last July, in order to catch up with the backlog of expenditure that had not been provided for, I had increased the allocation for Defence to Rs 77,000 crore. I am happy to inform the House that the defence expenditure in 2004-05 has matched the Budget Estimates. I propose to increase the allocation for Defence in 2005-06 to Rs 83,000 crore, which will include an allocation of Rs 34,375 crore for capital expenditure.

**Fiscal Consolidation**  
The current phase of high growth provides us an opportunity that should not be frittered away. We must use this opportunity to improve the fiscal health of the country. We must increase our revenues and reorient expendi-

ture to pay for more outlays on education, health and infrastructure.

**Outlays versus Outcomes**  
At the same time, I must caution that outlays do not necessarily mean outcomes. The people of the country are concerned with outcomes. The Prime Minister has repeatedly emphasized the need to improve the quality of implementation and enhance the efficiency and accountability of the delivery mechanism. During the course of the year, together with the Planning Commission, we shall put in place a mechanism to measure the development outcomes of all major programmes. We shall also ensure that programmes and schemes are not allowed to continue indefinitely from one Plan period to the next without an independent and in-depth evaluation. Civil society should also engage Government in a healthy debate on the efficiency of the delivery mechanism.

**Subsidies**  
Following my announcement last July, I placed before Parliament a report on Central Government subsidies. There are three main products that involve large ex-cise duties: the FRBM Act, fertilizer and petroleum. Subsidies provide a measure of protection for the poor and we shall continue to provide subsidies. However, we must now take up the task of restructuring the subsidy regime in a cautious manner and after a thorough discussion.

The Ministry of Agriculture intends to make procurement of food grains more cost effective through decentralized procurement, especially in the non-traditional States, without impairing the present MSP-based procurement system. The FRBM Act, fertilizer and petroleum. Subsidies provide a measure of protection for the poor and we shall continue to provide subsidies. However, we must now take up the task of restructuring the subsidy regime in a cautious manner and after a thorough discussion.

The Ministry of Agriculture intends to make procurement of food grains more cost effective through decentralized procurement, especially in the non-traditional States, without impairing the present MSP-based procurement system. The FRBM Act, fertilizer and petroleum. Subsidies provide a measure of protection for the poor and we shall continue to provide subsidies. However, we must now take up the task of restructuring the subsidy regime in a cautious manner and after a thorough discussion.

**Capital Market**  
The capital market has emerged as a major vehicle for converting savings into investment. It is also the preferred investment destination of foreign savings. The steps announced by me last July, and implemented, have strengthened the capital market. It is time for more measures and, hence, I propose to:

- permit FDI to invest in securities, in cash or in kind, agreed to by SEBI, when trading derivatives on the domestic market;
- permit FDI to invest in securities, in cash or in kind, agreed to by SEBI, when trading derivatives on the domestic market;

While India's equity market has made progress, the corporate bond market still lags behind. In order to address this gap, I propose to:

- appoint a high-level expert committee on corporate bond market, in order to look into the legal, regulatory, tax and market design issues in the development of the corporate bond market;
- Over the counter (OTC) derivatives provides a crucial role in mitigating the credit risk of banks and other financial entities. There is, however, some ambiguity regarding the legality of OTC derivative contracts which has inhibited their growth. I, therefore, propose to take measures to provide for clear legal validity of such contracts.

**Stamp Duty on Stock Exchange Capitalization**  
The Securities Contracts (Regulation) Act, 1956, as amended recently, requires all stock exchanges to be corporatized and de-mutualized. Three stock exchanges are in the process of being corporatized. In order to facilitate their corporatization, I propose to grant a one-time exemption to them from stamp duty on the notional transfer of assets.

**Stamp Duty on Commercial Paper**  
In order to create a level playing field for banks and non-banking financial institutions for such units, I propose to bring the Indian corporate market closer to international standard. I propose to rationalize the stamp duty so that it applies uniformly regardless of the issuing entity.

**Mumbai - A Regional Financial Centre**  
When I look at the map of the world, I am struck by the strategic location of Mumbai. It lies almost midway between London and Tokyo, two nerve centres of world finance. Mumbai is also home to the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) which have made Mumbai a global financial centre. Changes of the world by the number of trades per year. In the last decade, we have built world class institutions on the securities markets and we now compare with the best in terms of technological sophistication, risk management and sound governance. Believe the time has come to begin work on making Mumbai a regional hub for finance. In consultation with the RBI, I propose to appoint a high powered expert committee to advise the Government on how to make Mumbai a regional financial centre.

**Gold Units**  
Ten years ago we embarked on the process of ensuring that gold inflows are through the official channels alone. I believe that we are now in a position to introduce gold units and create a market for such units. I propose to ask SEBI to permit, in consultation with RBI, mutual funds to introduce Gold Exchange Traded Funds (GETFs) with gold as the underlying asset, in order to enable any household to buy and sell gold units for as little as Rs 100. Such units could be traded in the same manner as units of mutual funds.

**Other Proposals**  
**Institutions of Excellence**  
On January 6, 2005, the Prime Minister spoke about his intention to set up a Knowledge Commission to look into the issues, especially debt of longer term maturity. Government believes that investments in institutions of higher education and Research and Development organizations are as important as investments in physical capital and physical infrastructure. What we need are world class institutions. We must make the investment in the right institutions. We must have a university that will be ranked alongside Oxford and Cambridge or Harvard and Stanford. I am happy to inform the House that we have selected the Indian Institute of Science (IISc), Bangalore, to set up a light rail metro system for research and development. We shall work to make IISc, in a few years, a world class university. I propose to provide an additional sum of Rs 100 crore as a grant for this purpose.

In a remarkable display of the spirit of cooperative federalism, the States are poised to undertake the most important tax reform ever attempted in this country. All States have agreed to introduce the value added tax (VAT) which will replace the current sales tax. VAT is a simple and transparent tax system that will replace the existing sales tax and eliminate the cascading effect of sales tax. It is in force in more than 130 countries ranging from Sri Lanka to China. India too has a VAT at the Central level (CENVAT), but only for goods.

In the medium to long term, it is my goal that the entire production-distribution chain should be covered by a national VAT - or even better, a goods and services tax, encompassing both the Centre and the States. The empowered committee of State Finance Ministers, with the solid support of the Chief Ministers, has laboured through the last 7 years to arrive at a framework acceptable to all States. The Central Government has promised its full support and has also agreed to compensate States for the revenue loss that will be suffered in the event of any revenue loss. I take this opportunity to pay tribute to the Empowered Committee, and wish the States success on the introduction and implementation of VAT.

**Fifth Finance Commission**  
On February 26, 2005 I laid before Parliament the recommendations made by the Twelfth Finance Commission (TFC). TFC's recommendations cover tax devolution, grants to States, debt relief, financing of relief expenditure and related matters. States stand to gain considerably by the award.

However, the implementation of the TFC recommendations will put a large burden on Central finances through the period 2005-10, and especially in the first year. The empowered committee of State Finance Ministers will take place. Consolidation and rescheduling of Central loans, reduction in the interest rate and specific grants under different heads will affect both capital and revenue receipts of the Central Government. The total impact on the Central budget for 2005-06 is approximately Rs 26,000 crore or an addition of three-quarters of a percentage point as a proportion of GDP. Needless to say, this will have an impact on Government's capacity to abide by the Fiscal Responsibility and Budget Management Act (FRBM) in 2005-06.

**Defence Expenditure**  
Last July, in order to catch up with the backlog of expenditure that had not been provided for, I had increased the allocation for Defence to Rs 77,000 crore. I am happy to inform the House that the defence expenditure in 2004-05 has matched the Budget Estimates. I propose to increase the allocation for Defence in 2005-06 to Rs 83,000 crore, which will include an allocation of Rs 34,375 crore for capital expenditure.

**Fiscal Consolidation**  
The current phase of high growth provides us an opportunity that should not be frittered away. We must use this opportunity to improve the fiscal health of the country. We must increase our revenues and reorient expendi-

ture to pay for more outlays on education, health and infrastructure.

**Outlays versus Outcomes**  
At the same time, I must caution that outlays do not necessarily mean outcomes. The people of the country are concerned with outcomes. The Prime Minister has repeatedly emphasized the need to improve the quality of implementation and enhance the efficiency and accountability of the delivery mechanism. During the course of the year, together with the Planning Commission, we shall put in place a mechanism to measure the development outcomes of all major programmes. We shall also ensure that programmes and schemes are not allowed to continue indefinitely from one Plan period to the next without an independent and in-depth evaluation. Civil society should also engage Government in a healthy debate on the efficiency of the delivery mechanism.

**Subsidies**  
Following my announcement last July, I placed before Parliament a report on Central Government subsidies. There are three main products that involve large ex-cise duties: the FRBM Act, fertilizer and petroleum. Subsidies provide a measure of protection for the poor and we shall continue to provide subsidies. However, we must now take up the task of restructuring the subsidy regime in a cautious manner and after a thorough discussion.

The Ministry of Agriculture intends to make procurement of food grains more cost effective through decentralized procurement, especially in the non-traditional States, without impairing the present MSP-based procurement system. The FRBM Act, fertilizer and petroleum. Subsidies provide a measure of protection for the poor and we shall continue to provide subsidies. However, we must now take up the task of restructuring the subsidy regime in a cautious manner and after a thorough discussion.

**Capital Market**  
The capital market has emerged as a major vehicle for converting savings into investment. It is also the preferred investment destination of foreign savings. The steps announced by me last July, and implemented, have strengthened the capital market. It is time for more measures and, hence, I propose to:

- permit FDI to invest in securities, in cash or in kind, agreed to by SEBI, when trading derivatives on the domestic market;
- permit FDI to invest in securities, in cash or in kind, agreed to by SEBI, when trading derivatives on the domestic market;

While India's equity market has made progress, the corporate bond market still lags behind. In order to address this gap, I propose to:

- appoint a high-level expert committee on corporate bond market, in order to look into the legal, regulatory, tax and market design issues in the development of the corporate bond market;
- Over the counter (OTC) derivatives provides a crucial role in mitigating the credit risk of banks and other financial entities. There is, however, some ambiguity regarding the legality of OTC derivative contracts which has inhibited their growth. I, therefore, propose to take measures to provide for clear legal validity of such contracts.

**Stamp Duty on Stock Exchange Capitalization**  
The Securities Contracts (Regulation) Act, 1956, as amended recently, requires all stock exchanges to be corporatized and de-mutualized. Three stock exchanges are in the process of being corporatized. In order to facilitate their corporatization, I propose to grant a one-time exemption to them from stamp duty on the notional transfer of assets.

**Stamp Duty on Commercial Paper**  
In order to create a level playing field for banks and non-banking financial institutions for such units, I propose to bring the Indian corporate market closer to international standard. I propose to rationalize the stamp duty so that it applies uniformly regardless of the issuing entity.

**Mumbai - A Regional Financial Centre**  
When I look at the map of the world, I am struck by the strategic location of Mumbai. It lies almost midway between London and Tokyo, two nerve centres of world finance. Mumbai is also home to the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) which have made Mumbai a global financial centre. Changes of the world by the number of trades per year. In the last decade, we have built world class institutions on the securities markets and we now compare with the best in terms of technological sophistication, risk management and sound governance. Believe the time has come to begin work on making Mumbai a regional hub for finance. In consultation with the RBI, I propose to appoint a high powered expert committee to advise the Government on how to make Mumbai a regional financial centre.

**Gold Units**  
Ten years ago we embarked on the process of ensuring that gold inflows are through the official channels alone. I believe that we are now in a position to introduce gold units and create a market for such units. I propose to ask SEBI to permit, in consultation with RBI, mutual funds to introduce Gold Exchange Traded Funds (GETFs) with gold as the underlying asset, in order to enable any household to buy and sell gold units for as little as Rs 100. Such units could be traded in the same manner as units of mutual funds.

**Other Proposals**  
**Institutions of Excellence**  
On January 6, 2005, the Prime Minister spoke about his intention to set up a Knowledge Commission to look into the issues, especially debt of longer term maturity. Government believes that investments in institutions of higher education and Research and Development organizations are as important as investments in physical capital and physical infrastructure. What we need

# Explanatory Memorandum

proposed to be withdrawn. However, education cess at the rate of two per cent. on the tax payable will continue to be levied.

**C. Firms**  
In the case of firms, the rate of income-tax has been specified in Paragraph C of Part III of the First Schedule to the Bill. This rate has been reduced from thirty-five per cent. to thirty per cent. The surcharge for the purposes of the Union on tax payable by firms has been increased from two and a half per cent. to ten per cent. of the tax payable. The Education cess at the rate of two per cent. on the tax payable inclusive of surcharge will continue to be levied.

**D. Local authorities**  
In the case of local authorities, the rate of income-tax has been specified in Paragraph D of Part III of the First Schedule to the Bill. This rate is the same as that specified in the corresponding Paragraph of Part I of the First Schedule to the Bill. The surcharge for the purposes of the Union at the rate of two and one-half per cent. on the tax payable has been withdrawn. No surcharge for the purposes of the Union is, therefore, levied on Local Authorities. However, Education cess at the rate of two per cent. on the tax payable will continue to be levied.

**E. Companies**  
In the case of companies, the rate of income-tax has been specified in Paragraph E of Part III of the First Schedule to the Bill. The tax rate in the case of a domestic company is proposed to be reduced from 35% to 30%. The existing surcharge of two and a half per cent. on domestic company is proposed to be increased to ten per cent. The rate and surcharge in the case of foreign company will continue to remain at the existing level of forty per cent. and two and half per cent. respectively. The tax payable by all companies inclusive of surcharge will continue to be increased by an education cess at the existing rate of two per cent.

### Rationalisation of the tax treatment of savings.

The existing provisions of the Income-tax Act do not accord a homogeneous treatment to the taxation of financial savings. There is considerable variation in the taxation of the contributions made to savings schemes, the tax levied on the accumulations and the tax treatment at the final stage of withdrawal. This lack of uniformity tends to induce artificial distortions and bias amongst the various financial instruments. While many of the savings plans are exempted from tax at all the three stages, others are subject to tax on either the accumulations or payments received at the terminal stage. The best international practice relating to taxation of financial savings is the 'exemption-credit' (EET) method. A large number of countries have adopted this method and many others are moving towards it. Under this method, contributions to specified savings are exempt from tax (E), the accumulation is also exempt (E) but the withdrawal/benefits from the savings are taxed (T). The EET method eliminates/reduces the bias inherent against savings under the income tax.

The provisions of section 80C of the Act allow for a deduction from income of an amount of rupees ten thousand deposited by an individual towards any annuity plan of the Life Insurance Corporation or any other insurer for receiving pension. However, the amounts received by way of withdrawal or pension are subject to tax at the appropriate marginal rate in the year of receipt. The provisions of section 80CC provide a similar relief to the contributions to the pension scheme of the Central Government for all new entrants to Central Government service after 1st January, 2004 and to the pension or annuities received after retirement. The savings under these two provisions are in uniformity with the EET method.

The provisions of section 80L allow for a deduction from the gross annual income of an individual or a Hindu undivided family of any income by way of interest on government securities, National Savings Certificates, interest on deposits of public sector companies, interest on deposits with banking companies or financial corporations, etc. subject to a limit of twelve thousand rupees. An additional deduction of three thousand rupees is allowed with respect to interest on government securities. The provisions of section 88 of the Act provide for a deduction from the tax payable on the total income of an individual or Hindu undivided family, which is equal to a fixed percentage of sums paid or deposited by way of life insurance premia, contributions to provident fund, schemes for deferred annuities, national saving certificates, infrastructure bonds, payment of tuition fees, repayment of principal amount of housing loans, etc. For the purpose of deduction under this section, the aggregate sums to be paid or deposited in the eligible schemes is limited to rupees seventy thousand with an additional amount of rupees thirty thousand for investment in infrastructure bonds. Further, within the overall investment ceiling, there is a sectoral cap of rupees twenty thousand for payment of a housing loan and twenty thousand for payment of tuition fees. The design of section 88 is to encourage savings for persons with gross total income not exceeding rupees one hundred and fifty thousand, and fifteen per cent. for persons with gross total income exceeding one hundred and fifty thousand rupees and upto rupees five lakhs. No rebate is available for persons with income above rupees five lakhs. The savings in the various schemes under this provision do not conform to the EET method. The existing method of taxing financial savings is highly distortional resulting in economic inefficiency and inequity. With a view to removing such distortions, it is proposed to adopt the EET method as the most preferred option. However, the shift from the existing EEE method to EET method is likely to impose transitional administrative problems though not insurmountable. The design of section 88, in operation, particularly mandatory plans and insurance products, may not allow for sufficient flexibility in the short run to switch to an EET method of taxation. Therefore, it is proposed to set up a committee of experts to work out the roadmap for moving towards an EET system. The committee will also examine the mix of savings instruments that would qualify under the new system.

In the transition, it is proposed to take appropriate steps to facilitate the ultimate switch over to the EET system. Under the EET system, the contributions to savings plans are deductible from income. Therefore, the existing system of providing rebate for investment in savings plan is inconsistent with the EET method. It is proposed to take the first step in the direction of the EET method by effecting a switch from the rebate method to income based deduction method. Therefore, it is proposed to replace the existing method of providing tax rebate under section 88 for contributions/investments in specified savings schemes by an income based deduction for contributions by inserting a new section 80C under Chapter XXIII of the Income-tax Act. Under this new section 80C, an individual or a Hindu undivided family will be allowed a deduction from income of an amount not exceeding one lakh rupees with respect to sums paid or deposited in the previous year, out of income chargeable to tax, in certain specified schemes. The investments eligible for deduction under the proposed section are the same as those eligible for rebate from the existing section 88. These investments include contributions to provident fund or schemes for deferred annuities, purchase of infrastructure bonds, payment of tuition fees, repayment of principal amount of housing loans, etc. However, in order to minimise distortions, there are no sectoral caps in the proposed section and the assessee is free to invest in any one or more of the eligible instruments within the overall ceiling specified. It is further proposed to insert another new section 80CCE to provide that the aggregate amount of deductions under section 80C, section 80CC and section 80CCE shall not exceed one lakh rupees.

It is also proposed to amend section 88 to provide that no deduction from the amount of income-tax under the said section shall be allowed to any assessee for assessment year 2006-07 and subsequent years. It is also proposed to amend section 80L so as to provide that no deduction under the said section shall be allowed to any individual or Hindu undivided family for assessment year 2006-07 and subsequent years.

Consequential amendments have also been proposed in section 10, section 54EC, section 54ED, section 30CCC, section 80CDD and section 295.

The proposed amendments will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clause 17, 18, 21(a), 24, 28 and 29)

**Elimination of tax rebate under section 88D for persons with income below rupees one lakh.**  
The provisions of section 88D provide for a deduction from the total income-tax payable in case of a resident individual having a gross total income up to rupees one lakh. It also provides marginal relief to ensure that the post tax income of any individual does not fall below rupees one lakh. In view of the proposed increase in the general exemption limit to rupees one lakh, it is proposed to omit the said section.

In view of the proposed omission will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clause 32)

**Elimination of tax rebate for senior citizens under section 88B and for women under section 80C**  
The provisions contained in section 88B allow for a deduction from income-tax payable on the total income of an individual who is of the age of sixty five years or above, of the whole amount of such income-tax or rupees twenty thousand, whichever is less. The provisions of section 80C allow for a deduction from income-tax payable on the total income of a woman who is below the age of sixty five years of the whole amount of such income-tax or rupees five thousand, whichever is less.

In view of the proposed increase in the exemption limit for senior citizens to rupees one lakh fifty thousand and for women to rupees one lakh twenty five thousand, it is proposed to omit the said sections. The proposed omissions will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clauses 31 and 33)

**Elimination of standard deduction for salaried tax payers.**  
Under the existing provisions of section 16, an assessee whose income from salary does not exceed rupees five lakhs, is allowed a deduction of forty per cent. of salary or thirty thousand rupees, whichever is less. In the case of an assessee whose salary income exceeds rupees five lakhs, a deduction of rupees twenty thousand is allowed.

In view of the proposed increase in the general exemption limit to rupees one lakh and the substantial broadening of the income slabs, it is proposed to amend the said section so as to withdraw the said deduction. The proposed amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clause 6)

### FRINGE BENEFIT TAX

**Introduction of Fringe Benefit Tax**  
The tax on perquisites or fringe benefits provided by an employer to his employees, in addition to the cash salary or wages paid, is subject to varying treatment in different countries. These benefits are either taxed in the hands of the employees themselves or the value of such benefits is subject to fringe benefit tax in the hands of the employer. The rationale for levying a fringe benefit tax on the employer lies in the inherent difficulty in isolating the 'personal element' where there is collective enjoyment of such benefits and attributing the same directly to the employee. This is especially where the expenditure incurred by the employer is ostensibly for the purposes of the business but includes, in part, the personal element of a person. Moreover, in cases where the employees directly receive the benefits for expenses incurred, it becomes difficult to effectively capture the true extent of the perquisite provided because of the problem of cash flow in the hands of the employer.

Therefore, it is proposed to adopt a two pronged approach for the taxation of fringe benefits under the Income-tax Act. Perquisites which can be directly attributed to the employees will continue to be taxed in their hands in accordance with the existing provisions of section 17(2) of the Income-tax Act and subject to the method of valuation outlined in rule 3 of the Income-tax Rules. In cases, where attribution of the personal benefit method of valuation outlined in rule 3 of the Income-tax Rules, is not feasible to tax the benefits in the hands of the employer, it is proposed to levy a separate tax known as fringe benefit tax on the employer on the value of such benefits provided or deemed to have been provided to the employees.

For this purpose, a new Chapter XII-H is proposed to be inserted in the Income-tax Act containing sections 115W to 115WL, which provide for the levy of additional income-tax on or as fringe benefits. The Chapter is divided into three parts. Part A contains the meaning of certain expressions used, part B enumerates the basis of charge and part C delineates the procedures for filing of return in respect of fringe benefits, assessment and the payment of tax thereon.

Under the proposed provisions, fringe benefit tax is payable by an employer who is either an individual or a Hindu undivided family engaged in a business or profession; a company; a firm; an association of persons or a body of individuals; a local authority, or an artificial juridical person. The tax is payable in respect of the value of fringe benefits provided or deemed to have been provided by an employer to his employees during the previous year. The value of fringe benefits so calculated, is subject to additional income-tax in respect of fringe benefits at the rate of thirty per cent. as provided in section 115WA. The fringe benefit tax is payable by the employer even where he is not liable to pay income-tax on his total income computed in accordance with the other provisions of this Act. Fringe benefits as outlined in section 115WB, mean any privilege, service, facility or amenity directly or indirectly provided by an employer to his employees (including former employees) by reason of their employment. They also include reimbursements, made by the employer either directly or indirectly to the employees for any purpose, contributions by the employer to an approved superannuation fund as well as any fee or concessional tickets provided by the employer for private journeys undertaken by the employees or their family members.

Further, as per the provisions of the proposed section, the fringe benefits shall be deemed to have been provided if the employer has incurred any expense or made any payment for any of the following purposes: (a) entertainment, (b) official celebrations, (c) gifts, (d) use of club facilities, (e) provision of hospitality of every kind to any person whether by way of food and beverage or in any other manner, excluding food or beverages provided to the employees in the office or factory; (f) maintenance of guest house; (g) non-revenue; (h) employee welfare; (i) use of health club, sports and similar facilities; (j) sales promotion including publicity; (k) conveyance, tour and motor cars; (l) repair, running and maintenance of aircrafts; (m) repair, running and maintenance of travel including foreign travel expenses; (n) hotel boarding and lodging; (o) repair, running and maintenance of motor cars; (n) repair, running and maintenance of aircrafts; (o) consumption of fuel other than industrial fuel; (p) use of telephone; (q) scholarship to the children of the employees.

The method of computation of the value of fringe benefits for purposes of levy of the fringe benefit tax is provided in section 115WC, as the aggregate of: (a) the actual amount of contribution made by the employer to the approved superannuation fund; (b) a specified percentage of each of the expenses enumerated as items (a) to (q) in the earlier paragraph.

In cases where the employer is engaged in the business of carriage of passengers or goods by motor car or by aircraft, a lower percentage of expenses on repair, running and maintenance of motor cars or aircrafts or fuel expenses has been specified. Similarly, for hotels, a lower percentage of the expenses incurred on hospitality has been specified for purposes of calculating the liability under the fringe benefit tax. An employer liable to pay fringe benefit tax is required to file a return of fringe benefits before the due date as given in section 115WD. Section 115WE outlines the procedure for the assessment of the return of fringe benefits filed by the employer and the determination of tax or interest payable or refund due and either case the issue of intimation to that effect. Section 115WF provides for a best judgement assessment where the employer fails to furnish a return under section 115WD or fails to comply with the notice issued under section 115WE. Where the Assessing Officer has reason to believe that any fringe benefit chargeable to tax has escaped assessment for any assessment year, section 115WG provides for the reassessment of such fringe benefits which have escaped assessment and section 115WH provides for issue of notice for assessment or reassessment under section 115WG.

The provisions of section 115VI and section 115VJ provide for the payment of advance tax in respect of fringe benefits and the interest payable by the employer in case of delay in making such payment. Section 115VK provides for the charge of interest for default in furnishing return of income and section 115VL provides for the application of all other provisions of the Income-tax Act in relation to fringe benefits as well, save as otherwise provided.

A new section 271FB is proposed to be inserted to provide for the levy of penalty for the failure to furnish a return of fringe benefits. Consequential amendments have also been proposed in section 2, section 17, section 40, section 124, section 139A, section 140, section 140A, section 143, section 238, section 239, section 244A, section 246A, section 271, section 273B, section 276CC and section 278 to include a reference to the provisions of this Chapter.

The proposed amendments will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clause 37)

### WIDENING OF TAX BASE

**Obligation to furnish a Return of Income**  
Section 139 of the Income-tax Act provides for furnishing of a return of income. Under the existing provisions, all companies are obliged to file a return of income irrespective of whether their income is taxable or not. Similarly, persons other than a company are obliged to file their return of income if their total income exceeded the exemption limit i.e. the maximum amount, which is not chargeable to income tax. The requirement of filing a return is with reference to the total income.

Further, a person is also required to file his return under what is commonly referred to as the one-six scheme. Under this scheme, six important items of assets and expenditure have been specified which serve as indicator of a person's potential income. If a person incurs any of the specified expenditures or acquires any of the specified assets, such person is obligated to file a return of income irrespective of whether his income is taxable or not. These six items are:

- Occupation of a house
  - Ownership of a motor car
  - Expenditure on foreign travel
  - Holder of a credit card
  - Subscriber to a cellular phone
  - Member of a club where the entrance fees is more than twenty five thousand rupees.
- With a view to expanding the tax base, the provisions relating to filing of returns are being amended to provide that:

All partnership firms should file their return of income irrespective of their level of income; the basis for filing of return should be shifted from total income to gross total income. In other words, all persons claiming deductions under chapter VI-A or under sections 10A, 10B or 10BA shall be required to file their return even if their income after claiming such deductions is below the taxable limit.

Subscribers to a cellular phone will no longer be required to file their return if their income is below the maximum amount not chargeable to tax. Persons incurring an expenditure of more than fifty thousand rupees on consumption of electricity will be obliged to file their return irrespective of their level of income. These amendments will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07. (Clause 40)

**WELFARE MEASURES**  
Under the existing provisions of section 80E, a deduction of rupees forty thousand is allowed to an individual on account of any amount paid by him in the previous year by way of repayment of loan, or interest on such loan, taken from any financial institution or any approved charitable institution for the purpose of pursuing higher education. In order to encourage the pursuit of higher studies, it is proposed to allow without any limit, the entire amount of interest paid by an individual during the previous year on such loan taken from any financial institution or any approved charitable institution for the purposes of pursuing higher education, as a deduction from the total income. However, this benefit shall be allowed for repayment of the principal loan amount. The deduction shall be allowed for eight years beginning from the year in which payment of interest on the loan begins.

The proposed amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clause 25)

**MEASURES TO PROMOTE REGIONAL DEVELOPMENT**  
**Extension of time limit for setting up of industries in the State of Jammu and Kashmir**  
Under the existing provisions contained in sub-section (4) of section 80-IB, industrial undertakings engaged in manufacture or production or operation of a cold storage plant and set up during the period 1.4.1993 to 31.3.2005 in the State of Jammu and Kashmir are eligible for a hundred per cent. (thirty per cent. in the case of companies) for the next five years. The deduction is subject to a negative list of commodities included in the Thirteenth Schedule which should not be manufactured or produced by such industrial undertakings. The deduction is not available to undertakings in the State set up for the industrial development of the State of Jammu and Kashmir. It is proposed to extend the terminal date for setting up of industrial undertakings and commencement of eligible business in the State by two more years, from 31.3.2005 to 31.3.2007.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clause 27)

**RATIONALISATION AND SIMPLIFICATION MEASURES**  
**Insertion of sunset clauses for units in Special Economic Zones**  
Under the existing provisions of sub-section (1A) of section 10A, an undertaking set in a Special Economic Zone which begins to manufacture or produce articles or things or computer software after 31.3.2002, is allowed a hundred per cent. deduction of export profits for a period of five years and fifty per cent. for the next two years followed by a fifty per cent. deduction of export profits credited to a special reserve account, for the next three years.

With a view to rationalise the provisions of this section, it is proposed to insert a sunset clause so as to provide that no deduction under the sub-section shall be allowed to any undertaking which begins to manufacture or produce such articles or things or computer software after 31.3.2009 in a Special Economic Zone. The proposed amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clause 5)

**Allowing tax credit for MAT under section 115JB against tax liability in subsequent years under other provisions.**  
Under the existing provisions of section 115JB, where the income-tax payable by a company in the previous year is less than seven and one-half per cent. of its book profit such book profit is deemed to be the total income of the company and liability for tax thereon is a hundred per cent. of the total income. No credit of income tax paid by a company under this section is allowed against the tax liability which arises in subsequent years under the other provisions of the Act.

It is proposed to amend section 115JAA to provide that where any amount of tax is paid under sub-section (1) of section 115JB for any assessment year beginning on or after the 1st day of April, 2006, credit in respect of the taxes so paid for such assessment year shall be allowed on the difference of the tax paid under section 115JB and the amount of tax payable by the company on its total income computed in accordance with the other provisions of the Act. The amount of tax credit so determined shall be allowed to be carried forward to subsequent years in which the tax becomes payable on the total income computed under the said provisions. However, no carry forward shall be allowed beyond the fifth assessment year immediately succeeding the assessment year in which the tax credit becomes allowable. The set off of the difference between the tax on the ward tax credit shall be allowed for any assessment year after 2006-07 for that assessment year. No similar amendments are proposed in respect of MAT paid in any assessment year prior to 2006-07.

The proposed amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clause 41)

**Revival of exemption of interest in Non-Resident (External) Account**  
Under the existing provisions of sub-clause (ii) of clause (4) of section 115B, interest on deposits in a Non-Resident (External) Account in foreign currency is exempt from income-tax. However, this exemption is not available in respect of such interest income after 31st March, 2005.

It is proposed to amend the said sub-clause, (ii) of clause (4) of section 115B to provide that such income by way of interest on monies standing to credit to the account in a Non-Resident (External) Account shall continue to be exempt from tax until 31st March, 2005. This amendment will take effect from 1st April, 2006, and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clause 42)

**Revival of exemption of interest on Foreign Currency Deposits**  
Under the existing provisions of item (ii) of sub-clause (iv) of clause (15) of section 10, the interest payable by a scheduled bank before 1st April, 2005 to a non-resident or a person who is not ordinarily resident on deposits in foreign currency by way of acceptance of such deposits by the bank is approved by the Reserve Bank of India is exempt from income-tax.

It is proposed to amend the said item (ii) of sub-clause (iv) of clause (15) of section 10 to provide that such interest income by way of interest to a non-resident or to a person who is not ordinarily resident shall continue to be exempt on or after the 1st April, 2005.

This amendment will take effect from 1st April, 2006, and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clause 43)

**Revival of exemption on lease rentals paid while acquiring an aircraft or an aircraft engine**  
Clause (15A) of section 10 provides for exemption from income-tax of the lease payment received in pursuance of an agreement made on or before 31st May, 1997 in respect of a lease of an aircraft or an aircraft engine by the Government of a foreign enterprise or an Indian company engaged in the business of operation of aircraft. This exemption is available subject to the condition that the agreement for such lease is entered into prior to 1st April, 2005. In other words, the tax exemption is not available in respect of lease rent payments under an agreement entered into or after 1st April, 2005.

For exemption from tax on tax paid by the Indian company in such lease rents. The existing provisions of section 10 will be amended to provide that the exemption for lease payments shall continue with regard to agreements entered into on or before 30th September, 2005. However, the benefit of exemption from tax on tax paid will be available in respect of lease payments made in pursuance of agreements entered on or after 1st April, 2005.

These amendments will take effect from 1st April, 2006, and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clause 44)

**Reduction in rate of tax on royalty and fees for technical services in the case of a non-resident from 20% to 10%**  
The existing provisions of clause (b) of sub-section (1) of section 115A provide for the rates at which total income-tax shall be payable where the total income of a non-resident (not being a company) or a foreign company includes any income by way of royalty or fees for technical services other than income referred to in sub-section (1) of section 44DA received from Government or an Indian concern in pursuance of an agreement made by the foreign company with Government or the Indian concern after 31st March, 1976, and where such agreement is included in the industrial policy, for the time being in force, of the Government of India, the rate of tax is twenty per cent. on royalty or fees for technical services received in pursuance of an agreement made on or after 1st June, 2005.

It is proposed to amend the said clause (b) of sub-section (1) of section 115A to reduce the said rate of tax to ten per cent. on royalty or fees for technical services received in pursuance of an agreement made on or after 1st June, 2005.

It is also proposed to make amendments in Part II of the First Schedule to the Finance Bill, 2005 reducing the rates for assessment of tax at source in the case of royalty or fees for technical services from twenty per cent. to ten per cent.

These amendments will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clause 24)

**Extension of tax benefits for developing, operating, maintaining an infrastructure facility to authorities constituted under a Central or State Act.**  
Under the existing provisions of clause (i) of sub-section (4) of section 80-IA, an enterprise carrying on the business of developing or operating and maintaining or developing, operating and maintaining any infrastructure facility, which commences such operation and maintenance on or after 1st April, 1995, is eligible for a hundred per cent. deduction of profits for a period of ten years. Sub-clause (a) provides that the enterprise should be owned by a company registered in India or by a consortium of such companies. It is proposed to amend the above condition so as to enable an authority or a board or a corporation or any other body established or constituted under a Central or State Act which is not incorporated under the Companies Act, 1956 to take advantage of the benefits provided under the said section.

The proposed amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clause 26)

**Rationalisation of rates of depreciation and enhancement of additional depreciation on new machinery and plant**  
Under the existing provisions of section 32, depreciation on capital assets is allowed as a deduction at the accelerated rates specified in the Appendix to Income-tax Rule, 1962. The accelerated rate of depreciation on

general machinery and plant is 25 per cent. Further, section 32 also provides for an initial depreciation of 15 per cent. on new machinery and plant subject to the condition that the installation of new plant and machinery result in a ten per cent. increase in the installed capacity.

The rates of depreciation have remained at the existing levels for a long time. These do not fully reflect the positive effect on internal accruals as a result of the steady reduction in the corporate tax rates over the last two decades and the fall in the rate of inflation in the prices of capital goods. The tax rate on domestic companies is proposed to be reduced to 33 per cent. (including surcharge of 10 per cent.), from 37.875 per cent. (including surcharge of 2.5 per cent.). This reduction in the tax rate will further improve the internal accruals of the companies to finance replacement of plant and machinery.

In view of the above, it is proposed to amend the Income-tax Act and the rules thereunder so as to reduce the rate of depreciation for general machinery and plant to 15 per cent. from the existing rate of 25 per cent. Rates of depreciation of other capital assets are also being rationalised in line with the reduction in the rate for general machinery and plant.

Further, in order to encourage new investment, the initial depreciation on new machinery and plant is proposed to be increased to 20 per cent. from the existing level of 15 per cent. The requirement of creating a minimum increase of 10 per cent. in installed capacity for availing the initial depreciation is also proposed to be eliminated. Consequently, the initial depreciation will be available to all new plant and machineries erected or installed on or after 1st April, 2006 and will, accordingly, apply in relation to assessment year 2006-07 and subsequent years. (Clause 8)

**Tax treatment of reserves utilised for purchase of a ship**  
Under the existing provisions of section 33AC a shipping company is allowed a specified deduction in respect of amounts credited to a reserve account to be utilised for acquiring a new ship. The acquisition of a new ship is generally financed by debt and internal accruals. These internal accruals could be from general reserves or special reserves created for this purpose. Further, the law provides that if a company sells or transfers the ship after the 'three years' lock-in period and the sale proceeds are not utilised for the purpose of acquiring a new ship within a period of one year from the end of the previous year in which such sale or transfer took place, the sale proceeds are deemed to be the profits of the assessment year immediately following the previous year in which the ship was sold or transferred.

As stated above, a new ship is acquired by a shipping company by utilising both the reserves and borrowed capital. The existing law provides that if a ship is sold or transferred, the whole amount of sale proceeds would be subject to tax. This implies that both borrowed capital and amount withdrawn from reserves would bear the burden of tax. The real intent is to restrict the incidence of the tax on the amount utilised from the reserve account for acquiring the ship. The proposed amendment seeks to clarify this real intent whereby only so much of the sale proceeds which represent the amount credited to the reserve account and utilised for acquisition of the ship would be deemed to be the profits.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to assessment year 2006-07 and subsequent years. (Clause 9)

**Deduction for payments under the Voluntary Retirement Scheme**  
During the last decade a number of companies have embarked on a programme of restructuring which inter alia includes reviewing the size of its work force. As a result such companies have introduced voluntary retirement schemes for their employees. These companies are also allowed to amortise the payments to its employees. The existing provisions do not fully reflect this intent. Under the existing provisions, one-fifth of the amount paid to an employee at the time of voluntary retirement is allowed as deduction and the balance is allowed to be deducted in four equal instalments in the four succeeding years. Where part payments are made at the time of voluntary retirement, only the payment made in the first year is allowed to be amortised over five years. The balance part in instalments in subsequent years is not allowed as deduction. The proposed amendment seeks to provide for amortisation of the amount of the payment made in any year, each such payment independently amortisable for amortisation over a period of five years.

This amendment will take effect from 1st April, 2004, and will, accordingly, apply in relation to the assessment year 2004-05 and subsequent years. (Clause 11)

**Dredgers to be treated as qualifying ship for the purpose of Tonnage Tax Scheme**  
Chapter XII-G provides for levy of tonnage-tax on shipping companies. This tax is levied in respect of a 'qualifying ship'. However, a dredger does not qualify for the purposes of levy of tonnage-tax. The proposed amendment seeks to amend the law so as to extend the scope of tonnage-tax to dredgers. This levy, in the case of dredgers will be in lieu of income-tax at the option of the assessee.

This amendment will take effect from 1st April, 2006, and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years. (Clause 36)

**MEASURES TO RATIONALISE THE TAX TREATMENT OF DERIVATIVE TRANSACTIONS**  
Under the existing provisions (clause (5) of section 43) a transaction for the purchase and sale of any commodity including stocks and shares is deemed to be a 'speculative transaction'. If it is settled otherwise than by actual delivery. However, certain categories of transactions are excluded from the definition of speculative transaction. These internal accruals are allowed to be carried forward for eight years for set-off against speculation profits in subsequent years. These restrictions were essentially designed as an anti-evasion measure to prevent claims of artificially generated losses in the absence of an appropriate institutional infrastructure.

Recent systemic and technological changes introduced by stock markets have resulted in sufficient transparency to prevent generating fictitious losses through artificial transactions or shifting of incidence of loss from one person to another. The screen based computerised trading provides for an excellent audit trail. Therefore, the present distinction between speculative and non-speculative transactions, particularly relating to derivatives, is no more required.

The proposed amendment, therefore, seeks to provide that an eligible transaction carried out in respect of trading in derivatives in a recognised stock exchange shall not be deemed to be a speculative transaction. The proposed amendment also seeks to notify relevant categories of transactions to be excluded from the definition of speculative transactions in this regard. Further, it is also proposed to amend sub-section (4) of section 73 so as to reduce the period of carry forward of speculation losses from eight assessment years to four assessment years.

These amendments will take effect from 1st April, 2006 and will, accordingly, apply in relation to assessment year 2006-07 and subsequent years. (Clause 14 and 20)

**RATIONALISATION OF THE PROVISION OF TAX DEDUCTION AND COLLECTION AT SOURCE**  
Return of income not to be accompanied by TDS certificate for taxes deducted on or after 1st April, 2006

Under the existing provisions contained in sub-clause (c) of clause (c) of the Explanation to sub-section (9) of section 139, a return of income is not regarded as defective even if it is not accompanied by the proof of tax, if any, claimed to have been deducted as an assessee under section 199 provide that credit for TDS will be given on the basis of information furnished by the deductor and there will be no requirement for the deductee to file TDS certificates to claim credit for pre-paid taxes. Consequently, the provisions of section 203 provide that a deductor will not be required to furnish certificates in respect of TDS on or after 1st April, 2005. These provisions were introduced in anticipation of dematerialisation of TDS certificates before 1st April, 2005.

The new system of tax accounting under OLTS is gradually stabilised and is yet to attain full perfection. Secondly, the entries relating to tax deduction need to be flawlessly captured at all the stages beginning with the deposit of tax deducted by the deductor into the bank and from the bank to NSDL. Therefore, it will be the deposit of tax deducted by the deductor into the bank to NSDL that will be treated as proof of tax deducted at source. In view of the above, it is proposed to provide that all returns relating to TDS on or after 1st April, 2006 will have to be accompanied by the certificate of deduction of tax at source falling which the return will be treated as defective. Similarly, it is also proposed to amend the provisions of section 199 to provide that credit for TDS upto assessment year 2006-07 will only be given on production of TDS certificates. It is also proposed to amend section 203 to provide that a deductor will be required to issue TDS certificates in respect of TDS before 1st April, 2006. However, the requirement of filing TDS certificates along with the return and claiming credit on the basis of such certificates will be dispensed with from assessment year 2007-08. Similarly, the deductor will not be required to issue TDS certificates in respect of TDS on or after 1st April, 2006.

Similar amendments are also being proposed in respect of tax collection at source under Chapter XVII-BB of the Income-tax Act.

This amendment will take effect from 1st April, 2005. (Clause 40, 50, 51 and 53)

**Trucks operating upto two trucks exempted from TDS**  
Under the existing provisions contained in sub-section (3) of section 194C, tax is required to be deducted where the amount of any sum credited or paid or likely to be credited or paid exceeds twenty thousand rupees or the aggregate of the payments made by one single deductor exceeds twenty thousand rupees. The amount of any sum credited or paid or likely to be credited or paid through the Finance (No. 2) Act, 2004 to the provisions of the aforesaid sub-section (3) have led to hardship in the case of small truck owners, particularly those who own upto two trucks. This is because the law provides for estimation of income from a truck at rupees forty-two thousand per year. Since the exemption limit has been raised to rupees one lakh, the amount of tax payable on the trucks is below the exemption limit and therefore, not liable to tax. Any TDS on such trucks owners would impose additional burden in as much as a refund will have to be claimed by filing a return.

The proposed amendment, therefore, seeks to provide for non-deduction of tax at source from the amount paid to a sub-contractor being an individual and not owning more than two trucks. A declaration as to the number of trucks owned by the contractor (transporter) will be required to furnish a declaration as may be prescribed to the person responsible for payment. The person making



# Finance Bill

26. In section 80-IA of the Income-tax Act, in sub-section (4), in clause (i), in sub-clause (a), after the words "consortium of such companies", the words "or by an authority or a board or a corporation or any other body established or constituted under any Central or State Act" shall be inserted with effect from the 1st day of April, 2006.
27. In section 80-IB of the Income-tax Act, with effect from the 1st day of April, 2006,—  
(a) in sub-section (4), in the fourth proviso, for the figures, letters and words "31st day of March, 2005", the figures, letters and words "1st day of March, 2007" shall be substituted;  
(b) in sub-section (6A), in clause (a), for the figures, letters and words "1st day of April, 2005", the figures, letters and words "1st day of April, 2007" shall be substituted.
28. Section 80I of the Income-tax Act shall be omitted with effect from the 1st day of April, 2006.
29. In section 88 of the Income-tax Act, after sub-section (8), the following sub-section shall be inserted with effect from the 1st day of April, 2006, namely:—  
(9) No deduction from the amount of income-tax shall be allowed under this section to an assessee, being an individual or a Hindu undivided family for the assessment year beginning on the 1st day of April, 2006 and subsequent years.
30. Section 88B of the Income-tax Act shall be omitted with effect from the 1st day of April, 2006.
31. Section 88C of the Income-tax Act shall be omitted with effect from the 1st day of April, 2006.
32. Section 88D of the Income-tax Act shall be omitted with effect from the 1st day of April, 2006.
33. In section 112 of the Income-tax Act, in clause (1), in the proviso occurring below clause (a), after the words "being listed securities or unit", the words "or zero coupon bond" shall be inserted with effect from the 1st day of April, 2006.
- In section 115A of the Income-tax Act, in sub-section (1), in clause (b) with effect from the 1st day of April, 2006,—  
(i) in sub-clause (A), for the words, figures and letters "agreement made after the 31st day of May, 1997", the words, figures and letters "agreement made after the 31st day of May, 1997 but before the 1st day of June, 2005" shall be substituted;  
(ii) after sub-clause (A), the following sub-clause shall be inserted, namely:—  
(AA) The amount of income-tax calculated on the income by way of royalty, if any, included in the total income, at the rate of ten per cent, if such royalty is received in pursuance of an agreement made on or after the 1st day of June, 2005; and  
(iii) in sub-clause (B), for the words, figures and letters "agreement made after the 31st day of May, 1997; and", the words, figures and letters "agreement made after the 31st day of May, 1997 but before the 1st day of June, 2005" shall be substituted;  
(iv) after clause (B), the following sub-clause shall be inserted, namely:—  
(BB) The amount of income-tax calculated on the income by way of fees for technical services, if any, included in the total income, at the rate of ten per cent, if such fees for technical services are received in pursuance of an agreement made on or after the 1st day of June, 2005.
35. In section 115AIA of the Income-tax Act, with effect from the 1st day of April, 2006,—  
(a) after sub-section (1), the following sub-section shall be inserted, namely:—  
(1A) Where any amount of tax is paid under sub-section (1) of section 115B by an assessee, being a company for the assessment year commencing on the 1st day of April, 2006 and any subsequent assessments, then, credit in respect of tax so paid shall be allowed to him in accordance with the provisions of this section;  
(b) in sub-section (2), for the words, brackets, figures and letters "under sub-section (1) of section 115A", the words, brackets, figures and letters "under sub-section (1) of section 115A or under sub-section (1) of section 115B" shall be substituted; and  
(c) in section 115VD of the Income-tax Act, clause (iii) shall be omitted with effect from the 1st day of April, 2006.
37. After Chapter XIIG of the Income-tax Act, the following Chapter shall be inserted with effect from the 1st day of April, 2006, namely:—

## CHAPTER XII-H INCOME-TAX ON FRINGE BENEFITS

### A.—Meaning of certain expressions.

- 115W. In this Chapter, unless the context otherwise requires—  
(a) "employer" means—  
(i) an individual or a Hindu undivided family engaged in a business or profession, the profits and gains whereof are assessable to income-tax under the head "Profits and gains of business or profession";  
(ii) a firm;  
(iii) an association of persons or a body of individuals, whether incorporated or not;  
(iv) a local authority; and  
(v) every artificial juridical person, not falling within any of the preceding sub-clauses;  
(b) "fringe benefit tax" or "tax" means the tax chargeable under section 115WA.

### B.—Basis of charge.

- 115WA. (1) In addition to the income-charged under this Act, there shall be charged for every assessment year commencing on or after the 1st day of April, 2006, additional income-tax (in this Act referred to as fringe benefit tax) in respect of the fringe benefits provided or deemed to have been provided by an employer to his employees during the previous year at the rate of thirty per cent, on the value of such fringe benefits.

- (2) Notwithstanding that no income-tax is payable by an employer on his total income computed in accordance with the provisions of this Act, the tax on fringe benefits shall be payable by such employer.

- (3) For the purposes of this Chapter, "fringe benefits" means the benefits provided or deemed to have been provided by an employer to his employees for any purpose, including—  
(a) any privilege, service, facility or amenity, directly or indirectly, provided by an employer to his employees (including former employee or employees) by reason of their employment; or  
(b) any reimbursement, directly or indirectly, made by the employer to his employees for any purpose; or  
(c) any free or concessionary ticket provided by the employer for private journeys of the employees and their family members; and  
(d) any contribution by the employer to an approved superannuation fund.

- (4) The fringe benefits shall be deemed to have been provided if the employer has, in the course of his business or profession (including any activity which is not such activity as carried on with the object of deriving income, profits or gains), incurred any expense on or made any payment for, the following purposes, namely:—  
(A) entertainment;  
(B) festival celebrations;  
(C) gifts;  
(D) use of club facilities;  
(E) provision of hospitality of every kind by the employer to any person, whether by way of provision of food or beverages or any other manner, whether or not such provision is made by reason of any express or implied contract or custom or usage of trade, but does not include expenditure on or payment for, food or beverages provided by the employer to his employees in office or factory;  
(F) maintenance of any accommodation in the nature of guest house;  
(G) conference;  
(H) employee welfare;  
(I) use of health club, sports and similar facilities;  
(J) sales promotion including publicity;  
(K) conveyance, tour and travel including foreign travel;  
(L) hotel, boarding and lodging;  
(M) repair, running and maintenance of motorcars;  
(N) consumption of fuel other than industrial fuel;  
(P) use of telephone;

- (5) Scholarship to the children of the employees;  
(6) In the case of an employer engaged in the privilege, service, facility or amenity does not include perquisites in respect of which tax is paid or payable by the employee under Chapter IV or any benefit or amenity in the nature of free or subsidised transport or any such allowance provided by the employer to his employees for journeys by the employees from their residence to the place of work or such place of work to the place of residence.

- 115WB. (1) For the purposes of this Chapter, the value of fringe benefits shall be the aggregate of the following, namely:—  
(a) cost at which the benefits referred to in clause (c) of sub-section (1) of section 115WB, is provided by the employer to the public as reduced by the amount, if any, paid or recovered from his employee or employees;

- Provided that in a case where the expenses of the nature referred to in clause (c) of sub-section (1) of section 115WB are included in any other clause of sub-section (2) of the said section, the total expenses included under such other clause shall be reduced by the amount of expenditure referred to in the said clause (c) for computing the value of fringe benefits;

- (b) actual amount of contribution referred to in clause (d) of sub-section (1) of section 115WB;  
(c) fifty per cent, of the expenses referred to in clauses (A) to (P) of sub-section (2) of section 115WB;

- (d) fifty per cent, of the expenses referred to in clause (M) of sub-section (2) of section 115WB;  
Provided that in the case of an employer engaged in the business of hotels, the provisions of this clause shall have effect as if for the words "fifty per cent.", the words "five per cent." had been substituted;

- (e) fifty per cent, of the expenses referred to in clauses (P) to (T) of sub-section (2) of section 115WB;

- (f) twenty per cent, of the expenses referred to in clauses (K) and (L) of sub-section (2) of section 115WB;

- (g) twenty per cent, of the expenses referred to in clauses (M) and (N) of sub-section (2) of section 115WB;

- Provided that in the case of an employer engaged in the business of carriage of passengers or goods for hire, either by motor car or by aircraft, as the case may be, the provisions of this clause shall have effect as if for the words "twenty per cent.", the words "five per cent." had been substituted.

- Explanation.—For the purposes of calculating twenty per cent, of the expenses referred to in clauses (M) and (N) of sub-section (2) of section 115WB, the cost of the expenses referred to in clauses (M) and (N) of sub-section (2) of section 115WB, shall be the aggregate of the following, namely:—  
(a) twenty per cent, of the expenses referred to in clause (D) of sub-section (2) of section 115WB;  
(b) twenty per cent, of the expenses referred to in clause (O) of sub-section (2) of section 115WB;  
(c) actual amount incurred in providing scholarship referred to in clause (P) of sub-section (2) of section 115WB.

- Procedure for filing of return in respect of fringe benefits, assessment and payment of tax in respect thereof

- 115WD. (1) Without prejudice to the provisions contained in section 139, every employer who during a previous year has paid or made provision for payment of fringe benefits to his employees, shall, on or before the due date, furnish or cause to be furnished a return of fringe benefits provided or deemed to have been provided and verified in the prescribed manner and setting forth such other particulars as may be prescribed in respect of the previous year.

- Explanation.—In this sub-section, "due date" means,—  
(a) where the employer is—  
(i) a company; or  
(ii) a partnership firm or a company, whose accounts are required to be audited under this Act or the 31st day of October of the assessment year;

- (b) in the case of any other employer, the 31st day of July of the assessment year.

- (2) In the case of an employer under sub-section (1), the Assessing Officer is responsible for paying fringe benefit tax under this Act and who, in the opinion of the Assessing Officer, is responsible for paying fringe benefit tax, may, after the due date, issue a notice to him and serve the same upon him, requiring him to furnish within thirty days from the date of issue of the notice, the return in the prescribed form and verified in the prescribed manner, and setting forth such other particulars as may be prescribed.

- (3) Any employer responsible for paying fringe benefit tax who has not furnished a return within the time allowed under sub-section (1) or within the time allowed under a notice issued under sub-section (2) may, at any time before the expiry of one year from the end of the relevant assessment year, or before the completion of the assessment, whichever is earlier, furnish a return in the prescribed form and verified in the prescribed manner, and setting forth such other particulars as may be prescribed.

- (4) If any employer, having furnished a return under sub-section (1), or in pursuance of a notice issued under sub-section (2), discovers any omission or any wrong statement therein, he may furnish a revised return at any time before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

- 115WE. (1) Where a return has been made under section 115WD,—  
(a) if any tax or interest is found due on the basis of such return, after adjustment of any advance tax paid, any tax paid on self-assessment and any amount paid otherwise by way of tax or interest, then, without prejudice to the provisions of sub-section (2), an intimation shall be sent to the assessee specifying the sum so payable, and such intimation shall be deemed to be a notice of demand issued under section 156 and all the provisions of this Act shall apply accordingly; and  
(b) if no tax or interest is found due on the basis of such return, it shall be granted to the assessee and an intimation to this effect shall be sent to the assessee.

- Provided that except as otherwise provided in this sub-section, the acknowledgment of the return shall be deemed to be an intimation under this sub-section where either no sum is payable by the assessee or no refund is due to him.

- Provided further that no intimation under this sub-section shall be sent after the expiry of one year from the end of the financial year in which the return is made.

- (2) Where a return has been furnished under section 115WD, the Assessing Officer shall, if he considers it necessary or expedient to ensure that the assessee has not understated the value of fringe benefits or has not underpaid the tax in any manner, serve on the assessee a notice requiring him on a date to be specified therein, either to attend his office or to produce, or cause to be produced, any evidence on which the assessee may rely in support of the return.

- Provided that no notice under this sub-section shall be served on the assessee after the expiry of twelve months from the end of the month in which the return is furnished.

- (3) On the day specified in the notice issued under sub-section (2), or as soon afterwards as may be, after hearing such evidence as the assessee may produce and such other evidence as the Assessing Officer may require, on specified points, and after taking into account all relevant material which he has gathered, the Assessing Officer shall, by an order in writing, make an assessment of the value of the fringe benefits paid or payable by the assessee, and determine the sum payable by him or refund of any amount due to him on the basis of such assessment.

- (4) Where a regular assessment under sub-section (3) or section 115WE is made,—  
(a) towards such regular assessment;  
(b) if no refund is due on regular assessment or the amount refunded under sub-section (1) exceeds the amount refundable on regular assessment, the whole or the excess amount so refunded shall be deemed to be tax payable by the assessee and the provisions of this Act shall apply accordingly.

- 115WF. (1) If any person, being an employer,—  
(a) fails to make the return required under sub-section (1) of section 115WD and has not made a return under sub-section (3) or a revised return under sub-section (4) of that section, or  
(b) fails to comply with all the terms of a notice issued under sub-section (2) of section 115WD or fails to comply with a direction issued under sub-section (2A) of section 142, or  
(c) having made a return, fails to comply with all the terms of a notice issued under sub-section (2) of section 115WE,

- the Assessing Officer, after taking into account all relevant material which the Assessing Officer has gathered, shall, after giving the assessee an opportunity of being heard, make the assessment of the fringe benefit to the best of his judgment and determine the sum payable by the assessee on the basis of such assessment.

- Provided that such opportunity shall be given by the Assessing Officer by serving a notice calling upon the assessee to show cause, on a date and time to be specified in the notice as to why the assessment should not be completed to the best of his judgment.

- Provided further that it shall not be necessary to give such opportunity in a case where a notice under sub-section (2) of section 115WD has been issued to the assessee for making an assessment under this section.

- 115WG. If the Assessing Officer has reason to believe that any fringe benefits chargeable to tax have escaped assessment for any assessment year, he may, subject to the provisions of sections 115WH, 150 and 153, assess or reassess such fringe benefits and also any other fringe benefits chargeable to tax which have escaped assessment and which come to his notice subsequently in the course of the proceedings under this section, for the assessment year concerned (hereafter referred to as the relevant assessment year).

- Explanation.—For the purposes of this section, the following shall also be deemed to be cases where fringe benefits chargeable to tax have escaped assessment, namely:—  
(a) where no return of fringe benefits has been furnished by the assessee;  
(b) where a return of fringe benefits has been furnished by the assessee but no assessment has been made and it is noticed by the Assessing Officer that the assessee has understated the value of fringe benefits in the return;

- (c) where an assessment has been made, but the fringe benefits chargeable to tax have been understated.

- 115WH. (1) Before making the assessment or reassessment under section 115WG, the Assessing Officer shall serve on the assessee a notice requiring him to furnish within such period as may be specified in the notice, a return of the fringe benefits in respect of which he is assessable under this Chapter during the previous year corresponding to the relevant assessment year, in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed, and the provisions of this Chapter shall apply to such return as if it were a return required to be furnished under section 115WD.

- (2) The Assessing Officer shall, before issuing any notice under this section, record his reasons for doing so.

- (3) No notice under sub-section (1) shall be issued for the relevant assessment year after the expiry of six years from the end of the financial year immediately following that financial year.

- Explanation.—In determining fringe benefits chargeable to tax which have escaped assessment for the purposes of this sub-section, the provisions of the Explanation to section 115WG shall apply as they apply for the purposes of that section.

- (4) In a case where an assessment under sub-section (3) of section 115WE or section 115WG has been made for the relevant assessment year, no notice shall be issued under sub-section (1) of section 115WH for the expiry of four years from the end of the relevant assessment year, unless the Chief Commissioner or Commissioner is satisfied, on the reasons recorded by the Assessing Officer, that it is a fit case for the issue of such notice.

- 115WI. Notwithstanding that the regular assessment in respect of any fringe benefits is to be made in a later assessment year, the tax on such fringe benefits shall be payable in advance during any financial year, in accordance with the provisions of section 115WJ, in respect of the fringe benefits which would be chargeable to tax for the assessment year immediately following that financial year, such fringe benefits being hereafter in this Chapter referred to as the "current fringe benefits".

- (1) Every assessee who is liable to pay advance tax under section 115W-I, shall on his own account, pay advance tax on his current fringe benefits calculated in the manner laid down in sub-section (2).

- (2) The amount of advance tax payable by an assessee for each financial year shall be thirty per cent, of the value of the fringe benefits referred to in section 115WC, paid or payable in each quarter and shall be payable on or before the 15th day of the month following such quarter.

- (3) Where an assessee, has failed to pay the advance tax for any quarter or where the advance tax paid by him is less than thirty per cent, of the value of fringe benefits paid or payable in that quarter, he shall be liable to pay simple interest at the rate of one per cent, on the amount by which the advance tax paid falls short of thirty per cent, of the value of fringe benefits for any quarter, for every month or part of the month for which the shortfall continues.

- 115WJ. (1) Where the return of fringe benefits for any assessment year under sub-section (1) or sub-section (3) of section 115WH is in response to a notice under sub-section (2) of that section, it furnished after the due date, or is not furnished at all, or is furnished after the due date, ending on the date of one per cent, for every month and part of a month comprised in the period commencing on the date immediately following the due date, and—  
(a) where the return is furnished after the due date, ending on the date of furnishing of the return; or  
(b) where no return has been furnished, ending on the date of completion of the assessment under section 115WE,

- on the amount of the tax on the value of fringe benefits as determined under sub-section (1) of section 115WI or regular assessment under sub-section (3) of section 115WH, the amount of advance tax payable under section 115WJ shall be increased by the amount of the tax so payable under section 115WJ.

- Explanation 1.—In this section, "due date" means the date specified in the Explanation to sub-section (1) of section 115WD as applicable in the case of the employer.

- Explanation 2.—Where, in relation to an assessment year, an assessment is made for the first time under section 115WG, the assessment so made shall be regarded as a regular assessment for the purposes of this section.

- (2) The provisions contained in sub-section (2) to sub-section (4) of section 234A shall, so far as may be, apply in relation to this section.

38. In section 119 of the Income-tax Act, in sub-section (2), in clause (a), with effect from the 1st day of April, 2006,—  
(i) for the words, figures and letters "sections 115P, 115S", the words, figures and letters "sections 115P, 115W, 115WE, 115WG, 115WH, 115WI, 115WJ" shall be substituted;  
(ii) for the words "any class of incomes", the words "any class of incomes or fringe benefits" shall be substituted.

39. In section 124 of the Income-tax Act, in sub-section (3), with effect from the 1st day of April, 2006,—  
(a) in clause (a),—  
(A) for the words, brackets and figures "under sub-section (1) of section 139", the words, brackets, figures and letters "under sub-section (1) of section 115WD or under sub-section (1) of section 139" shall be substituted;

- (B) for the words, brackets and figures "sub-section (2) of section 143", the words, brackets, figures and letters "sub-section (2) of section 115WE or sub-section (2) of section 143" shall be substituted;

- (C) for the words, brackets and figures "sub-section (1) of section 142 or under section 148 for the making of the return or by the notice under section 142 or under sub-section (1) of section 115WI or by the notice under section 148 for the making of the return or by the notice under the first proviso to section 115WF or under the first proviso to section 144" shall be substituted.

40. In section 139 of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2006,—  
(a) in clause (a), for the word "company", the words "company or a firm" shall be substituted;  
(b) in clause (b), for the words "other than a company", the words "other than a company or a firm" shall be substituted;  
(c) in clause (c),—  
(i) in the third proviso,—  
(A) clause (iii) shall be omitted;  
(B) clause (iv), the word "or" shall be inserted at the end;

- (ii) for the words "or the following cases", the words "or the following cases, namely:—"  
(i) "has incurred an expenditure of fifty thousand rupees or more towards consumption of electricity";  
(ii) "after the third proviso, the words 'company or a firm' shall be substituted;

- "Provided also that every person, being an individual or a Hindu undivided family or an association of persons or a body of individuals, whether incorporated or not, or an artificial juridical person, if his total income for the previous year, or the total income of any other person in respect of which he is assessable under this Act during the previous year, or the total income of any other person in respect of which he is assessable under section 10BA or Chapter VI-A exceeded the maximum amount which is not chargeable to tax under section 10A or section 10B or section 10BA or Chapter VI-A, he shall, on or before the due date, furnish a return of his income or the income of such other person, as the case may be, in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed as may be prescribed.

- (b) in sub-section (2), in the Explanation, in clause (c), in sub-clause (i), for the words, figures and letters "before the 1st day of April, 2005", the words, figures and letters "before the 1st day of April, 2006" shall be substituted.

41. In section 139A of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2006,—  
(a) in clause (iii), for the words, brackets, figures and letters "sub-section (4A) of section 139", the following "sub-section (4A) of section 139; or  
(b) being an employer, who is required to furnish a return of fringe benefits under section 115WD; or  
(c) being an employer, who is required to furnish a return of fringe benefits under section 115WG;" shall be substituted.

- Explanation.—For the removal of doubts, it is hereby declared that any person, who has been allotted a permanent account number under any clause other than clause (ii) of sub-section (1), shall not be deemed to have been allotted a permanent account number under clause (ii) of sub-section (1) of section 139, if he has not been allotted a permanent account number in relation to fringe benefit tax.

42. In section 140 of the Income-tax Act, in the opening portion, for the words and figures "under section 139", the words, figures and letters "under section 115WD or section 139" shall be substituted with effect from the 1st day of April, 2006.

43. In section 140 of the Income-tax Act, with effect from the 1st day of April, 2006,—  
(a) in sub-section (1), for the words and figures "section 139", the words, figures and letters "section 115WD or section 139" shall be substituted;  
(b) for sub-section (4A), the following sub-section shall be substituted, namely:—  
(1A) For the purposes of sub-section (1), interest payable,—  
(i) for the words "or the following cases", the words "or the following cases, namely:—"  
(i) "has incurred an expenditure of fifty thousand rupees or more towards consumption of electricity";  
(ii) "after the third proviso, the words 'company or a firm' shall be substituted;

- "Provided also that every person, being an individual or a Hindu undivided family or an association of persons or a body of individuals, whether incorporated or not, or an artificial juridical person, if his total income for the previous year, or the total income of any other person in respect of which he is assessable under this Act during the previous year, or the total income of any other person in respect of which he is assessable under section 10BA or Chapter VI-A exceeded the maximum amount which is not chargeable to tax under section 10A or section 10B or section 10BA or Chapter VI-A, he shall, on or before the due date, furnish a return of his income or the income of such other person, as the case may be, in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed as may be prescribed.

- (b) in sub-section (2), in the Explanation, in clause (c), in sub-clause (i), for the words, figures and letters "before the 1st day of April, 2005", the words, figures and letters "before the 1st day of April, 2006" shall be substituted.

44. In section 142 of the Income-tax Act, in sub-section (1), for the words, figures, letters and brackets "under section 139 or whose case falls under sub-section (2) of that section", the words, figures, letters and brackets "under section 115WD or section 139 or whose case falls under sub-section (2) of section 115WD or section 139" shall be substituted with effect from the 1st day of April, 2006.

45. In section 153 of the Income-tax Act, with effect from the 1st day of April, 2006,—  
(a) after clause (iii), the following clause shall be inserted, namely:—  
(1A) No order of assessment shall be made under section 115WF at any time after the expiry of two years from the end of the assessment year in which the fringe benefits were first assessed.

- (1B) No order of assessment or reassessment shall be made under section 115WG after the expiry of one year from the end of the financial year in which the notice under section 115WH was first served.

- (b) in sub-section (2A), for the words, brackets and figures "in sub-sections (1) and (2)", the words, brackets, figures and letters "in sub-sections (1), (1A), (1B) and (2)" shall be substituted;

- (c) in sub-section (2B), for the words, brackets and figures "in sub-sections (1) and (2)", the words, brackets, figures and letters "in sub-sections (1), (1A), (1B) and (2)" shall be substituted.

46. In section 153B of the Income-tax Act, in sub-section (1), after clause (b) and before the Explanation, the following proviso shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 2003, namely:—  
"Provided that in case of other person referred to in section 153C, the period of limitation for making the assessment or reassessment shall be the period as referred to in clause (a) or clause (b) of this sub-section or unexpired term of the financial year in which books of account or documents or assets seized or requisitioned are under section 153C to the Assessing Officer having jurisdiction over such other person, whichever is later."

47. In the Income-tax Act, with effect from the 1st day of June, 2003,—  
(a) in section 139, for the words "or the following cases", the words "or the following cases, namely:—"  
(i) "has incurred an expenditure of fifty thousand rupees or more towards consumption of electricity";  
(ii) "after the third proviso, the words 'company or a firm' shall be substituted;

- "Provided also that every person, being an individual or a Hindu undivided family or an association of persons or a body of individuals, whether incorporated or not, or an artificial juridical person, if his total income for the previous year, or the total income of any other person in respect of which he is assessable under this Act during the previous year, or the total income of any other person in respect of which he is assessable under section 10BA or Chapter VI-A exceeded the maximum amount which is not chargeable to tax under section 10A or section 10B or section 10BA or Chapter VI-A, he shall, on or before the due date, furnish a return of his income or the income of such other person, as the case may be, in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed as may be prescribed.

- (b) in sub-section (2), for the words, brackets and figures "section 115WE or section 115WI or section 143" shall be substituted.

48. In section 142 of the Income-tax Act, in sub-section (1), for the words, figures, letters and brackets "under section 139 or whose case falls under sub-section (2) of that section", the words, figures, letters and brackets "under section 115WD or section 139 or whose case falls under sub-section (2) of section 115WD or section 139" shall be substituted with effect from the 1st day of April, 2006.

49. In section 153 of the Income-tax Act, with effect from the 1st day of April, 2006,—  
(a) after clause (iii), the following clause shall be inserted, namely:—  
(1A) No order of assessment shall be made under section 115WF at any time after the expiry of two years from the end of the assessment year in which the fringe benefits were first assessed.

- (1B) No order of assessment or reassessment shall be made under section 115WG after the expiry of one year from the end of the financial year in which the notice under section 115WH was first served.

- (b) in sub-section (2A), for the words, brackets and figures "in sub-sections (1) and (2)", the words, brackets, figures and letters "in sub-sections (1), (1A), (1B) and (2)" shall be substituted;

- (c) in sub-section (2B), for the words, brackets and figures "in sub-sections (1) and (2)", the words, brackets, figures and letters "in sub-sections (1), (1A), (1B) and (2)" shall be substituted.

46. In section 153B of the Income-tax Act, in sub-section (1), after clause (b) and before the Explanation, the following proviso shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 2003, namely:—  
"Provided that in case of other person referred to in section 153C, the period of limitation for making the assessment or reassessment shall be the period as referred to in clause (a) or clause (b) of this sub-section or unexpired term of the financial year in which books of account or documents or assets seized or requisitioned are under section 153C to the Assessing Officer having jurisdiction over such other person, whichever is later."

47. In the Income-tax Act, with effect from the 1st day of June, 2003,—  
(a) in section 139, for the words "or the following cases", the words "or the following cases, namely:—"  
(i) "has incurred an expenditure of fifty thousand rupees or more towards consumption of electricity";  
(ii) "after the third proviso, the words 'company or a firm' shall be substituted;

- "Provided also that every person, being an individual or a Hindu undivided family or an association of persons or a body of individuals, whether incorporated or not, or an artificial juridical person, if his total income for the previous year, or the total income of any other person in respect of which he is assessable under this Act during the previous year, or the total income of any other person in respect of which he is assessable under section 10BA or Chapter VI-A exceeded the maximum amount which is not chargeable to tax under section 10A or section 10B or section 10BA or Chapter VI-A, he shall, on or before the due date, furnish a return of his income or the income of such other person, as the case may be, in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed as may be prescribed.

- (b) in sub-section (2), for the words, brackets and figures "section 115WE or section 115WI or section 143" shall be substituted.

48. In section 142 of the Income-tax Act, in sub-section (1), for the

# Finance Bill

## CHAPTER V SERVICE TAX

1962 or the tariff value of such article fixed under sub-section (2) of that section, as the case may be; and (ii) any duty of customs chargeable on that article under section 12 of the Customs Act, 1962, and any sum chargeable on that article under any law for the time being in force as an addition to, and in the same manner as, a duty of customs, but does not include—

- the duty referred to in sub-section (5);
- the safeguard duty referred to in sections 8B and 8C;
- the countervailing duty referred to in section 9A; and
- the anti-dumping duty referred to in section 9A.

(7) The duty chargeable under this section shall be in addition to any other duty imposed under this Act or under any other law for the time being in force.

(8) The provisions of the Customs Act, 1962, and the rules and regulations made thereunder, including those relating to drawbacks, refunds and exemption from duties shall, so far as may be, apply to the duty chargeable under this section as they apply in relation to the duties leviable under that Act.

73. Section 3A of the Customs Tariff Act shall be omitted.

74. In the Customs Tariff Act, the First Schedule shall be amended in the manner as specified in the Second Schedule.

**Excise**  
75. In section 5A of the Central Excise Act, 1944 (hereinafter referred to as the Central Excise Act), after sub-section (1), the following sub-section shall be inserted, namely—  
“(A) For the removal of doubts, it is hereby declared that where an exemption under sub-section (1) in respect of any excisable goods from the whole of the duty of excise leviable thereon has been granted absolutely, the manufacturer of such excisable goods shall not pay the duty of excise on such goods.”

76. In section 23A of the Central Excise Act,—  
(a) for clause (c), the following clause shall be substituted, namely—  
“(c) ‘applicant’ means—  
(i) a non-resident setting up a joint venture in India in collaboration with a non-resident or a resident;  
(ii) a resident setting up a joint venture in India in collaboration with a non-resident; or  
(iii) a wholly owned subsidiary Indian company, of which the holding company is a foreign company or which, as the case may be, proposes to undertake any business activity in India;  
(iv) a joint venture in India; or  
(v) a resident falling within any such class or category of persons, as the Central Government may, by notification in the Official Gazette, specify in this behalf, and which or who, as the case may be, makes application for advance ruling under sub-section (1) of section 23C;”

(b) in clause (e), for the words ‘Authority for Advance Rulings’, the words and brackets ‘Authority for Advance Rulings (Central Excise, Customs and Service Tax)’ shall be substituted.

77. In section 32A of the Central Excise Act,—  
(a) in sub-section (6), for the words, figures and letter ‘section 32F’, the words, figures, letters and brackets ‘section 32F and sub-section (1) of section 32L’ shall be substituted;

(b) after sub-section (7), the following sub-section shall be inserted, namely—  
“(7B) The Settlement Commissioner shall have the power to grant a settlement under sub-section (5) has not co-operated with the proceedings before it, send the case back to the Appellate Tribunal and the provisions contained in section 35B, section 35C and section 35D shall, so far as may be, apply accordingly.”

78. In section 35A of the Central Excise Act, in sub-section (5), for the words ‘Commissioner of Central Excise’, the words ‘Chief Commissioner of Central Excise’ shall be substituted.

79. In section 35B of the Central Excise Act,—  
(a) after sub-section (1), the following sub-section shall be inserted, namely—  
“(1A) The Central Board of Excise and Customs constituted under the Central Boards of Revenue Act, 1963 may, by notification in the Official Gazette, constitute a Committee consisting of two Chief Commissioners of Central Excise for the purposes of this Act.”

(b) in sub-section (2),  
(i) for the words ‘The Commissioner of Central Excise may, if he is’, the words ‘The Committee of Chief Commissioners of Central Excise may, if it is’ shall be substituted;  
(ii) for the words ‘on his behalf’, the words ‘on its behalf’ shall be substituted.

80. In section 35E of the Central Excise Act, for the words ‘Committee of Chief Commissioners of Central Excise’, the words ‘Committee of Chief Commissioners of Central Excise’ shall be substituted.

81. For the Third Schedule to the Central Excise Act, the Schedule specified in the Third Schedule shall be substituted.

82. (1) In the Central Excise Rules, 1944, made by the Central Government in exercise of the powers conferred by section 37 of the Central Excise Act,—  
(a) rule 57CC as inserted by the Central Excise (Third Amendment) Rules, 1996, published in the Official Gazette, vide notification of the Government of India in the Ministry of Finance (Department of Revenue), No. G.S.R. 324(E), dated the 1st March, 1997;  
(b) rule 57CD as substituted by the Central Excise (Amendment) Rules, 1997, published in the Official Gazette, vide notification of the Government of India in the Ministry of Finance (Department of Revenue), No. G.S.R. 122(E), dated the 1st March, 1997; and  
(c) rule 57D as substituted by the Central Excise (Second Amendment) Rules, 2000, published in the Official Gazette, vide notification of the Government of India in the Ministry of Finance (Department of Revenue), No. G.S.R. 203(E), dated the 1st March, 2000, as substituted by rule 57AD of the Central Excise [Second Amendment (Amendment)] Rules, 2000, published in the Gazette of India, vide notification of the Government of India in the Ministry of Finance (Department of Revenue), No. G.S.R. 298(E), dated the 31st March, 2000,

shall stand amended and shall be deemed to have been amended retrospectively in the manner as specified in column (3) of the Fourth Schedule and from the corresponding date specified in column (4) of that Schedule against each of the rules specified in column (2) of that Schedule.  
(2) Any action taken or anything done or purported to have been taken or done, at any time during the period commencing on and from the 1st day of August, 1996 and ending with the 30th day of June, 2001 under the rule as amended by sub-section (1), shall be deemed to be, and always to have been, for all purposes, as validly and effectively taken or done or as the amendment made by sub-section (1) had been in force at all material times, and accordingly, notwithstanding anything contained in any judgment, decree or order of any court, tribunal or other authority—

(a) no suit or other proceedings shall be instituted, maintained or continued in any court, tribunal or, as the case may be, other authority against the Central Government or Central Excise Officer for recovery of the amount under the rule as amended by sub-section (1) and no enforcement shall be made by any court, tribunal or other authority of any decree or order for non-recovery of the said amount, as if the amendments made by that sub-section had been in force at all material times;  
(b) no recovery shall be made of all such amounts which have not been paid but which would have been paid as if the amendment made by sub-section (1) had been in force at all material times, within a period of thirty days from the day on which the Finance Bill, 2005 receives the assent of the President.

(3) Notwithstanding the supersession of the Central Excise Rules, 1944 referred to in sub-section (1), for the purposes of that sub-section, the Central Government shall have and shall be deemed to have the power to make rules with retrospective effect as if the Central Government had the power to make rules under section 37 of the Central Excise Act, retrospectively at all material times.  
**Explanation.**—For the removal of doubts, it is hereby declared that no act or omission on the part of any person shall be punishable as an offence which would not have been punishable if this section had not come into force.

83. (1) In the CENVAT Credit Rules, 2001, made by the Central Government in exercise of the powers conferred by section 37 of the Central Excise Act, for the words ‘as published in the Official Gazette, vide notification of the Government of India in the Ministry of Finance (Department of Revenue), No. G.S.R. 445(E), dated the 21st June, 2001 shall stand amended and shall be deemed to have been amended retrospectively in the manner as specified in column (2) of the Fifth Schedule on and from the corresponding date specified in column (3) of that Schedule against each of the rules specified in column (1) of that Schedule.  
(2) Any action taken or anything done or purported to have been taken or done at any time during the period commencing on and from the 1st day of July, 2001 and ending with the 28th day of February, 2002 under the rule as amended by sub-section (1), shall be deemed to be, and always to have been, for all purposes, as validly and effectively taken or done or as the amendment made by sub-section (1) had been in force at all material times, and accordingly, notwithstanding anything contained in any judgment, decree or order of any court, tribunal or other authority—

(a) no suit or other proceedings shall be instituted, maintained or continued in any court, tribunal or, as the case may be, other authority against the Central Government or Central Excise Officer for recovery of the amount under the rule as amended by sub-section (1) and no enforcement shall be made by any court, tribunal or other authority of any decree or order for the non-recovery of the said amount, as if the amendments made by that sub-section had been in force at all material times;  
(b) no recovery shall be made of all such amounts which have not been paid but which would have been paid as if the amendment made by sub-section (1) had been in force at all material times, within a period of thirty days from the day on which the Finance Bill, 2005 receives the assent of the President.

(3) Notwithstanding the supersession of the CENVAT Credit Rules, 2001 referred to in sub-section (1), for the purposes of that sub-section, the Central Government shall have and shall be deemed to have the power to make rules with retrospective effect as if the Central Government had the power to make rules under section 37 of the Central Excise Act, retrospectively at all material times.  
**Explanation.**—For the removal of doubts, it is hereby declared that no act or omission on the part of any person shall be punishable as an offence which would not have been punishable if this section had not come into force.

84. (1) The notification of the Government of India in the Ministry of Finance (Department of Revenue), No. G.S.R. 277(E), dated the 21st June, 1998, issued under section 5A of the Central Excise Act, for the purposes of that section, shall stand amended and shall be deemed to have been amended in the manner as specified in the Sixth Schedule, for the period commencing on and from the 21st day of February, 2000 to the 28th day of February, 2005 (both days inclusive) retrospectively, and accordingly, notwithstanding anything contained in any judgment, decree or order of any court, tribunal or other authority, any action taken or anything done or purported to have been taken or done under the said notification, shall be deemed to be and always to have been, for all purposes, as validly and effectively taken or done as if the notification as amended by this sub-section had been in force at all material times.

(2) No recovery shall be made of all such amounts of duty or interest or penalty or fine or other charges which have not been collected or, as the case may be, for which demand notices have been issued under section 11A or, recovery proceeding have been initiated under section 11 of the Central Excise Act, as if the amendment made by sub-section (1), had been in force at all material times.

(3) No suit or other proceedings shall be instituted, maintained or continued in any court, tribunal or other authority for the refund of the duty of excise under sub-section (4) shall be made within one month from the day on which the Finance Bill, 2005 receives assent of the President.

85. (1) In the case of goods specified in the Seventh Schedule, being goods produced or manufactured in India, there shall be levied and collected for the purposes of the Union, by surcharge, an additional duty of excise, at the rates specified in the said Schedule.  
(2) The additional duty of excise referred to in sub-section (1) shall be in addition to any other duty of excise chargeable on such goods under the Central Excise Act or any other law for the time being in force.  
(3) The provisions of the Central Excise Act, and the rules made thereunder, including those relating to refunds and exemptions from duties and imposition of penalty, shall, so far as may be, apply in relation to the levy and collection of the additional duty of excise leviable under this section in respect of goods specified in the Seventh Schedule as they apply in relation to the levy and collection of the duty of excise on such goods under the Central Excise Act or, as the case may be, the rules made thereunder.

86. The Central Excise Tariff Act, 1985 (hereinafter referred to as the Central Excise Tariff Act),—  
(a) the First Schedule shall be amended in the manner specified in the Eighth Schedule;  
(b) the Second Schedule shall be amended in the manner specified in the Ninth Schedule.

87. (1) In the First Schedule to the Central Excise Tariff Act, in Chapter 15, after NOTE 4, the following NOTE shall be inserted and shall be deemed to have been inserted for the period commencing on and from the 1st day of March, 1986 and ending with the 28th day of February, 2005 (both days inclusive), namely:—  
“5. In relation to refined edible vegetable oils falling under Heading Nos. or headings 15.02 and 15.03, the process of refining, that is to say, any one or more of the processes, namely, treatment of crude oil with an alkali, bleaching and deodorisation, shall amount to ‘manufacture’.”

(2) Any action taken or anything done or purported to have been taken or done at any time during the period commencing on and from the 1st day of March, 1986 and ending with the 28th day of February, 2005 (both days inclusive) (hereinafter in this section referred to as the said period) under the Central Excise Tariff Act, shall be deemed to be, and to have always been, for all purposes, as validly and effectively taken or done as if the amendment made by sub-section (1) had been in force at all material times and, accordingly, notwithstanding anything contained in any judgment, decree or order of any court, tribunal or other authority—

(a) all duties of excise levied, assessed or collected during the said period on any excisable goods under the Central Excise Act, shall be deemed to be and shall be deemed always to have been, as validly levied, assessed or collected as if the amendment made by sub-section (1) had been in force at all material times;  
(b) no suit or other proceedings shall be instituted, maintained or continued in any court, tribunal or other authority for the refund of, and no enforcement shall be made by any court, tribunal or other authority of any decree or order directing the refund of, any such duty of excise which had been collected and which would have been validly collected if the amendment made by sub-section (1) had been in force at all material times;

(3) For the purposes of sub-section (1), the Central Government shall have and shall be deemed to have the power to amend the Chapter referred to in the said sub-section with retrospective effect as if the Central Government had the power to amend the said Chapter, retrospectively, at all material times.  
**Explanation.**—For the removal of doubts, it is hereby declared that no act or omission on the part of any person shall be punishable as an offence which would not have been punishable if this section had not come into force.

88. In the Finance Act, 1994,—  
(a) in section 65, with effect from such date as the Central Government may, by notification in the Official Gazette, appoint,—  
(i) in clause (9), for the words ‘service or repair’, the words ‘service, repair, reconditioning or restoration’ shall be substituted;

(ii) in clause (15), for the words ‘collecting the broadcasting charges on behalf of the said agency’, the words ‘collecting the broadcasting charges or permitting the rights to receive any form of communication like sign, signal, writing, picture, image and sounds of all kinds by transmission of electro-magnetic waves through space or through cables, direct to home signals or by any other means to cable operator including multisystem operator or any other person on behalf of the said agency’ shall be substituted;

(iii) in clause (16), for the words ‘collecting the broadcasting charges on behalf of the said agency’, the words ‘collecting the broadcasting charges or permitting the rights to receive any form of communication like sign, signal, writing, picture, image and sounds of all kinds by transmission of electromagnetic waves through space or through cables, direct to home signals or by any other means to cable operator, including multisystem operator or any other person on behalf of the said agency’ shall be substituted;

(iv) for clause (17), the following clause shall be substituted, namely—  
“(17) ‘beauty treatment’ includes hair cutting, hair dyeing, hair dressing, face and beauty treatment, cosmetic treatment, manicure, pedicure or counselling services on beauty, face care or make-up or such other similar services;”

(v) in clause (19),—  
(i) in sub-clause (iv), the following **Explanation** shall be inserted at the end, namely—  
**Explanation.**—For the removal of doubts, it is hereby declared that for the purposes of this sub-clause, ‘inputs’ means all goods or services intended for use by the client;—  
(ii) for sub-clause (v), the following sub-clause shall be substituted, namely—  
“(v) production or processing of goods for, or on behalf of, the client;”

(iii) for the **Explanation**, the following **Explanation** shall be substituted, namely—  
**Explanation.**—For the removal of doubts, it is hereby declared that for the purposes of this clause—  
(a) ‘commission agent’ means any person who acts on behalf of another person and causes sale or purchase of goods, or provision or receipt of services, for a consideration, and includes any person who, while acting on behalf of another person—  
(i) deals with goods or services or documents of title to such goods or services; or  
(ii) solicits payment of sale price of such goods or services; but does not include—  
(i) a guarantor for collection or payment for such goods or services; or  
(ii) undertakes any activities relating to such sale or purchase of such goods or services;

(b) ‘information technology service’ means any service in relation to designing, developing, creating, maintaining or upgrading of any other amount, to its members, but does not include—  
(i) any person or body of persons engaged in the activities of trade unions, promotion of agriculture, horticulture or animal husbandry; or  
(ii) any person or body of persons engaged in any activity having objectives which are in the nature of public service and are of a charitable, religious or political nature; or  
(iii) any person or body of persons associated with press or media;

(25B) ‘commercial or industrial construction service’ means—  
(a) construction of a new building or a civil structure or a part thereof; or  
(b) construction of pipeline or conduit; or  
(c) completion and finishing services in relation to residential complex such as glazing, plastering, painting, floor and wall tiling, wall and ceiling covering and wall papering, wood and metal joinery and carpentry, fencing and railing, construction of swimming pools, acoustic applications or fittings and other similar services, in relation to building or civil structure; or  
(d) repair, alteration, renovation or restoration of, or similar services in relation to, building or civil structure, pipeline or conduit,

which is—  
(i) used, or to be used, primarily for, or  
(ii) occupied, or to be occupied, primarily for; or  
(iii) engaged in, or to be engaged in, primarily for, commercial or industry, or work intended for commerce or industry, but does not include such services provided in respect of roads, airports, railways, transport terminals, bridges, tunnels and dams;”

(iii) for clause (26a), the following clause shall be substituted, namely—  
“(26a) ‘construction of a new residential complex or a part thereof’ or  
(b) completion and finishing services in relation to residential complex such as glazing, plastering, painting, floor and wall tiling, wall covering and wall papering, wood and metal joinery and carpentry, fencing and railing, construction of swimming pools, acoustic applications or fittings and other similar services; or  
(c) repair, alteration, renovation or restoration of, or similar services in relation to, residential complex.”

(36a) ‘dredging’ includes removal of material including, silt, sediments, rocks, sand, refuse, debris, plant or animal matter in any excavating, clearing, deepening, widening or lengthening, either permanently or temporarily, of any river, port, harbour, baidwater or estuary;”

(39a) ‘erection, commissioning or installation’ means any service provided by a commissioning and installation agency, in relation to,—  
(i) erection, commissioning or installation of plant, machinery or equipment; or  
(ii) installation of,—  
(a) electrical and electronic devices, including wirings or fittings therefor; or  
(b) plumbing, drain laying or other installations for transport of fluids; or  
(c) heating, ventilation or air-conditioning including related pipe work, duct work and other similar services; or  
(d) thermal insulation, sound insulation, fire proofing or water proofing; or  
(e) lift and escalator, fire escape staircases or travellers; or  
(f) such other similar services;”

(47) ‘franchise’ means an agreement by which the franchisee is granted representative right to sell or manufacture goods or to provide service or undertake any process identified with franchisor, whether by a trade mark, service mark, trade name or logo or any such symbol, as the case may be, is involved;”

(53a) ‘packaging activity’ means packaging of goods including pouch filling, bottling, labelling or imprinting of the package, but does not include any packaging activity that amounts to ‘manufacture’ as defined in clause (65) of section 2 of the Central Excise Act, 1944;”

(63a) ‘smalling list compilation and mailing’ means any service in relation to—  
(i) compiling and providing list of name, address and any other information from any source; or  
(ii) sending document, information, goods or any other material in a packet, by whatever name called, by means of, or by means of, sealing, mailing or mailing, for, or on behalf of, the client;”

(64) ‘maintenance or repair’ means any service provided by—  
(i) any person under a contract or an agreement; or  
(ii) a manufacturer or any person authorised by him, in relation to,—  
(a) maintenance or repair including reconditioning or restoration, or servicing of any goods or equipment, including motor vehicle; or  
(b) maintenance or management of immovable property;”

(68) ‘manpower recruitment or supply agency’ means any commercial concern engaged in providing any service, directly or indirectly, in any manner for recruitment or supply of manpower, temporarily or otherwise, to a client;”

(76a) ‘other than his own’ means any place provided by way of ‘roam’ or otherwise, by the person providing such service, shall be inserted.

(76b) ‘packaging activity’ means packaging of goods including pouch filling, bottling, labelling or imprinting of the package, but does not include any packaging activity that amounts to ‘manufacture’ as defined in clause (65) of section 2 of the Central Excise Act, 1944;”

(91a) ‘residential complex’ means any complex comprising of—  
(i) a building or buildings, having more than twelve residential units;  
(ii) sub-common area; and  
(iii) any one or more of facilities or services such as park, lift, parking space, community hall, common water supply or effluent treatment system,

located within a premises and the layout of such premises is approved by an authority under any law for the time being in force, but does not include a complex which is constructed by a person directly engaging any other person for designing or planning of the layout, and the construction of such complex is intended for personal use as residence by such person.  
**Explanation.**—For the removal of doubts, it is hereby declared that for the purposes of this clause,—  
(a) ‘personal use’ includes permitting the complex for use as residence by another person on rent or without consideration;  
(b) ‘residential unit’ means a single house or a single apartment intended for use as a place of residence;”

(97a) ‘site formation and clearance, excavation and earthmoving and demolition’ includes,—  
(i) drilling, boring and core extraction services for construction, geophysical, geological or similar purposes; or  
(ii) soil stabilization; or  
(iii) horizontal drilling for the passage of cables or drain pipes; or  
(iv) land reclamation work; or  
(v) contaminated top soil stripping work; or  
(vi) demolition and wrecking of building, structure or road,

but does not include such services provided in relation to agriculture, irrigation, watershed development and drilling, digging, repairing, renovating or restoring of water sources or water bodies;”

(104b) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(105) ‘sound recording’ means recording of sound on any media or device including magnetic storage device, and includes services relating to recording of sound in any manner such as sound capturing, storing of sound and sound mixing or re-mixing or any audio post-production activity;”

(106) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(107) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(108) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(109) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(110) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(111) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(112) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(113) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(114) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(115) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(116) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(117) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(118) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(119) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(120) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(121) ‘survey and map-making’ means geological, geophysical or any other prospecting, surface, sub-surface or aerial surveying or map-making of any kind, but does not include survey and exploration of mineral;”

(122) to any person, by any other person, in relation to transport of goods other than water, through pipeline or other conduit;  
(123) to any person, by any other person, in relation to site formation and clearance, excavation

and earthmoving and demolition and such other similar activities;  
(zzb) to any person, by any other person, in relation to dredging;  
(zzc) to any person, by any other person, other than by an agency under the control of, or authorised by, the Government, in relation to survey and map-making;  
(zzd) to any person, by any other person, in relation to survey and map-making;  
(zze) to any person, by any other person, in relation to survey and map-making;  
(zzf) to any person, by any other person, in relation to survey and map-making;  
(zzg) to any person, by any other person, in relation to survey and map-making;  
(zzh) to any person, by any other person, in relation to survey and map-making;  
(zzi) to any person, by any other person, in relation to survey and map-making;  
(zzj) to any person, by any other person, in relation to survey and map-making;  
(zzk) to any person, by any other person, in relation to survey and map-making;  
(z zl) to any person, by any other person, in relation to survey and map-making;  
(zzm) to any person, by any other person, in relation to survey and map-making;  
(z zn) to any person, by any other person, in relation to survey and map-making;  
(z zo) to any person, by any other person, in relation to survey and map-making;  
(z zp) to any person, by any other person, in relation to survey and map-making;  
(z zq) to any person, by any other person, in relation to survey and map-making;  
(z zr) to any person, by any other person, in relation to survey and map-making;  
(z zs) to any person, by any other person, in relation to survey and map-making;  
(z zt) to any person, by any other person, in relation to survey and map-making;  
(z zu) to any person, by any other person, in relation to survey and map-making;  
(z zv) to any person, by any other person, in relation to survey and map-making;  
(z zw) to any person, by any other person, in relation to survey and map-making;  
(z zx) to any person, by any other person, in relation to survey and map-making;  
(z zy) to any person, by any other person, in relation to survey and map-making;  
(z zz) to any person, by any other person, in relation to survey and map-making;

(k) at the end, the following **Explanation** shall be inserted, namely—  
**Explanation.**—For the removal of doubts, it is hereby declared that where any service provided or to be provided by a person, who has established a business or has a fixed establishment from which the service is provided or to be provided, or has his permanent address or usual place of residence, in a country other than India and such service is received or to be received by a person who has his place of business, fixed establishment, permanent address or, as the case may be, usual place of residence, in India such service shall be deemed to be taxable service for the purposes of this clause.”

(xiii) for clause (120), the following clause shall be substituted, namely—  
“(120) ‘video-tape production’ means the process of any recording of any programme, event or function on a magnetic tape or on any other media or device and includes services relating thereto such as editing, cutting, colouring, dubbing, title printing, imparting special effects, processing, adding, modifying or deleting sound, transferring from one media or device to another, or undertaking any video post-production activity, in any manner;”

(b) in section 66, with effect from such date as the Central Government may, by notification in the Official Gazette, appoint,—  
(i) for the brackets and letters ‘(zz)’, ‘(zba)’, ‘(zbb)’, ‘(zbc)’, ‘(zbd)’, ‘(zbe)’, ‘(zbf)’, ‘(zbg)’, ‘(zbh)’, ‘(zbi)’, ‘(zbj)’, ‘(zbk)’, ‘(zbl)’, ‘(zbm)’, ‘(zbn)’, ‘(zbo)’, ‘(zbp)’, ‘(z bq)’, ‘(zbr)’, ‘(zbs)’, ‘(zbt)’, ‘(zbu)’, ‘(zbv)’, ‘(zbw)’, ‘(zbx)’, ‘(zby)’, ‘(zbz)’, ‘(zca)’, ‘(zcb)’, ‘(zcc)’, ‘(zcd)’, ‘(zce)’, ‘(zcf)’, ‘(zcg)’, ‘(zch)’, ‘(zci)’, ‘(z cj)’, ‘(zck)’, ‘(zcl)’, ‘(zcm)’, ‘(zcn)’, ‘(zco)’, ‘(zcp)’, ‘(z cq)’, ‘(zcr)’, ‘(zcs)’, ‘(zct)’, ‘(zcu)’, ‘(zc v)’, ‘(z cw)’, ‘(z cx)’, ‘(z cy)’, ‘(z cz)’ shall be substituted;

(c) in section 67,—  
(i) for the words ‘rendered by him’, the words ‘provided or to be provided by him’ shall be substituted;  
(ii) after **Explanation**, the following **Explanation** shall be inserted, namely—  
**Explanation.**—For the removal of doubts, it is hereby declared that the gross amount charged for the taxable service shall include any amount received towards the taxable service before, during or after provision of such service;

(d) section 69 shall be numbered as sub-section (1) thereof, and after sub-section (1) as so numbered, the following sub-section shall be inserted, namely—  
“(2) The Central Government may, by notification in the Official Gazette, specify such other person or class of persons, who shall make an application for registration within such time and in such manner and in such form as may be prescribed;”

(e) section 70 shall be numbered as sub-section (1) thereof, and after sub-section (1) as so numbered, the following sub-section shall be inserted, namely—  
“(2) The person or class of persons notified under sub-section (2) of section 69, such as furnished to the Superintendent of the Central Excise, a return in such form and in such manner and at such frequency as may be prescribed;”

(f) in section 73, for the words ‘Assistant Commissioner of Central Excise or, as the case may be, the Deputy Commissioner of Central Excise’, wherever they occur, the words ‘Central Excise Officer’ shall be substituted.

(g) in section 74, for the words ‘Assistant Commissioner of Central Excise or, as the case may be, the Deputy Commissioner of Central Excise’, wherever they occur, the words ‘Central Excise Officer’ shall be substituted.

(h) in section 78, in the first proviso, for the words ‘Assistant Commissioner of Central Excise or, as the case may be, the Deputy Commissioner of Central Excise’, the words ‘Central Excise Officer’ shall be substituted.

(i) in section 83, for the figures and letter ‘15, 35E’, the figures and letters ‘15, 33A, 35F’ shall be substituted.

(j) after section 83, the following section shall be inserted, namely—  
“83A. Where under this Chapter or the rules made thereunder any person is liable to a penalty, such penalty may be adjudged by the Central Excise Officer conferred with such power as the Central Board of Excise and Customs constituted under the Central Boards of Revenue Act, 1963, may, by notification in the Official Gazette, specify;”

(k) in section 84,—  
(a) in sub-section (1), for the words ‘which has been taken by the Assistant Commissioner of Central Excise or, as the case may be, Deputy Commissioner of Central Excise’, the words ‘in which an adjudicating authority subordinate to him has passed any decision or order’ shall be substituted;  
(b) in sub-section (3), for the words ‘the Assistant Commissioner of Central Excise or, as the case may be, Deputy Commissioner of Central Excise’, the words ‘such adjudicating authority’ shall be substituted;

(l) in section 85,—  
(a) for sub-section (1), the following sub-section shall be substituted, namely—  
“(1) Any person aggrieved by any decision or order passed by an adjudicating authority subordinate to the Commissioner of Central Excise may appeal to the Commissioner of Central Excise (Appeals);”

(b) in section 83, for the words ‘the Assistant Commissioner of Central Excise or, as the case may be, Deputy Commissioner of Central Excise’, the words ‘such adjudicating authority’ shall be substituted.

(m) in section 86,—  
(a) in sub-section (1), for the word and figures ‘section 84’, the words, letter and figures ‘section 73 or section 83A or section 84’ shall be substituted









# Finance Bill

(vi) in tariff items 9009 91 00, 9009 92 00, 9009 93 00 and 9009 99 00, for the entry in column (4) occurring against each of them, the entry "Free" shall be substituted;

(vii) in tariff items 9010 10 00, 9010 50 00, 9010 60 00 and 9010 90 00, for the entry in column (4) occurring against each of them, the entry "15%" shall be substituted;

(viii) for the entry in column (4) occurring against all the tariff items of headings 9011 and 9012, the entry "15%" shall be substituted;

(ix) for the entry in column (4) occurring against all the tariff items of sub-heading 9013 10, the entry "15%" shall be substituted;

(x) in tariff item 9013 80 10, for the entry in column (4), the entry "15%" shall be substituted;

(xi) in tariff item 9013 80 10, for the entry in column (4), the entry "Free" shall be substituted;

(xii) in tariff item 9013 80 90, for the entry in column (4), the entry "15%" shall be substituted;

(xiii) in tariff item 9013 90 10, for the entry in column (4), the entry "Free" shall be substituted;

(xiv) in tariff item 9013 90 90, for the entry in column (4), the entry "15%" shall be substituted;

(xv) for the entry in column (4) occurring against all the tariff items of headings 9014, 9015, 9016, 9017, 9018 and 9019, the entry "15%" shall be substituted;

(xvi) in tariff item 9020 00 00, for the entry in column (4), the entry "15%" shall be substituted;

(xvii) for the entry in column (4) occurring against all the tariff items of headings 9021, 9022, 9023, 9024 and 9025, the entry "15%" shall be substituted;

(xviii) for the entry in column (4) occurring against all the tariff items of heading 9026, the entry "Free" shall be substituted;

(xix) in tariff item 9027 10 00, for the entry in column (4), the entry "15%" shall be substituted;

(xx) in tariff item 9027 20 00, for the entry in column (4), the entry "Free" shall be substituted;

(xxi) for the entry in column (4) occurring against all the tariff items of sub-heading 9027 30, the entry "Free" shall be substituted;

(xxii) in tariff item 9027 40 00, for the entry in column (4), the entry "15%" shall be substituted;

(xxiii) for the entry in column (4) occurring against all the tariff items of sub-headings 9027 50 and 9027 80, the entry "Free" shall be substituted;

(xxiv) for the entry in column (4) occurring against all the tariff items of sub-heading 9027 90, the entry "15%" shall be substituted;

(xxv) for the entry in column (4) occurring against all the tariff items of headings 9028 and 9029, the entry "15%" shall be substituted;

(xxvi) in tariff items 9030 10 00, 9030 20 00 and 9030 31 00, for the entry in column (4) occurring against each of them, the entry "15%" shall be substituted;

(xxvii) in tariff items 9030 39 00, for the entry in column (4) occurring against all the tariff items of sub-heading 9030 39, the entry "15%" shall be substituted;

(xxviii) in tariff item 9030 40 00, for the entry in column (4), the entry "Free" shall be substituted;

(xxix) for the entry in column (4) occurring against all the tariff items of sub-headings 9030 89 and 9030 90, the entry "15%" shall be substituted;

(xxx) in tariff items 9031 10 00, 9031 30 00, 9031 40 00, 9031 80 00 and 9031 90 00, for the entry in column (4) occurring against each of them, the entry "15%" shall be substituted;

(xxxi) for the entry in column (4) occurring against all the tariff items of heading 9032, the entry "15%" shall be substituted;

(xxxii) in tariff item 9033 00 00, for the entry in column (4), the entry "15%" shall be substituted;

(xxxiii) in Chapter 91, for the entry in column (4) occurring against all the tariff items, the entry "15%" shall be substituted;

(xxxiv) in Chapter 92, for the entry in column (4) occurring against all the tariff items, the entry "15%" shall be substituted;

(xxxv) in Chapter 93, for the entry in column (4) occurring against all the tariff items, the entry "15%" shall be substituted;

(xxxvi) in Chapter 94, for the entry in column (4) occurring against all the tariff items, the entry "15%" shall be substituted;

(xxxvii) in Chapter 95, for the entry in column (4) occurring against all the tariff items, the entry "15%" shall be substituted;

(xxxviii) in Chapter 96, for the entry in column (4) occurring against all the tariff items, the entry "15%" shall be substituted;

(xxxix) in Chapter 97,—

(i) for the entry in column (4) occurring against all the tariff items of heading 9701, the entry "15%" shall be substituted;

(ii) in tariff item 9702 00 00, for the entry in column (4), the entry "15%" shall be substituted;

(iii) for the entry in column (4) occurring against all the tariff items of headings 9703 and 9705, the entry "15%" shall be substituted;

(iv) in tariff item 9706 00 00, for the entry in column (4), the entry "15%" shall be substituted;

(v) in Chapter 98,—

(i) for the entry in column (4) occurring against all the tariff items of heading 9801, the entry "15%" shall be substituted;

(ii) in tariff item 9802 00 00, for the entry in column (4), the entry "15%" shall be substituted;

(iii) in tariff item 9803 00 00, for the entry in column (4), the entry "100%" shall be substituted;

(iv) for the entry in column (4) occurring against all the tariff items of headings 9804 and 9805, the entry "15%" shall be substituted.

**PART II**

In the First Schedule to the Customs Tariff Act,—

1. In Chapter 22, for heading 2208 and the entries relating thereto, the following sub-headings, tariff items and entries shall be substituted, namely—

Tariff item	Description of goods	Unit	Rate of duty	Standard	Preferential Areas
(1)	(2)	(3)	(4)	(5)	(6)
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol., spirit, liqueurs and other spirituous beverages				
2208 20	Spirts obtained by distilling grape wine or grape marc:—				
2208 20 11	Brandy	l	182%		
2208 20 12	Liquors	l	182%		
2208 20 19	Other	l	182%		
2208 20 91	Brandy	l	182%		
2208 20 92	Liquors	l	182%		
2208 20 99	Other	l	182%		
2208 30	Whiskies:—				
2208 30 11	In containers holding 2 l or less:				
2208 30 11 11	Bourbon whiskey	l	182%		
2208 30 11 12	Scotch	l	182%		
2208 30 11 13	Blended	l	182%		
2208 30 11 19	Other	l	182%		
2208 30 91	Bourbon whiskey	l	182%		
2208 30 92	Scotch	l	182%		
2208 30 93	Blended	l	182%		
2208 30 99	Other	l	182%		
2208 40	Rum and tafia:—				
2208 40 11	In containers holding 2 l or less:				
2208 40 11 11	Rum	l	182%		
2208 40 11 12	Tafia	l	182%		
2208 40 11 19	Other	l	182%		
2208 40 91	Rum	l	182%		
2208 40 92	Tafia	l	182%		
2208 50	Gin and Geneva:—				
2208 50 11	In containers holding 2 l or less:				
2208 50 11 11	Gin	l	182%		
2208 50 11 12	Geneva	l	182%		
2208 50 11 13	Vodka	l	182%		
2208 50 11 19	Other	l	182%		
2208 50 91	Gin	l	182%		
2208 50 92	Geneva	l	182%		
2208 60 93	Vodka	l	182%		
2208 70	Liqueurs and cordials:—				
2208 70 11	In containers holding 2 l or less:				
2208 70 11 11	Liqueurs	l	182%		
2208 70 11 12	Cordials	l	182%		
2208 70 11 19	Other	l	182%		
2208 70 91	Liqueurs	l	182%		
2208 70 92	Cordials	l	182%		
2208 90	Other:—				
2208 90 11	In containers holding 2 l or less:				
2208 90 11 11	Tequila	l	182%		
2208 90 11 12	Indenatured ethyl alcohol	l	182%		
2208 90 11 19	Other	l	182%		
2208 90 91	Tequila	l	182%		
2208 90 92	Indenatured ethyl alcohol	l	182%		
2208 90 99	Other	l	182%		

(z) in Chapter 28,—

(i) in heading 2812,—

(a) for tariff item 2812 10 10 and the entries relating thereto, the following shall be substituted, namely—

2812 10 10	Phosphoric acid, carbonic chloride, carbonic dioxide, carbonic oxide, chloroformyl chloride	kg	15%
2812 10 21	Phosphorus trichloride and Phosphorus pentachloride	kg	15%
2812 10 22	Phosphorus pentachloride	kg	15%

(b) for tariff item 2812 10 20 and entries relating thereto, the following shall be substituted, namely—

2812 10 21	Phosphorus trichloride	kg	15%
2812 10 22	Phosphorus pentachloride	kg	15%

(c) for tariff item 2812 10 40 and entries relating thereto, the following shall be substituted, namely—

2812 10 41	Sulphur oxychloride, Sulphur monochloride, Sulphur dichloride and Thionyl chloride	kg	15%
2812 10 42	Sulphur oxychloride	kg	15%
2812 10 43	Sulphur monochloride	kg	15%
2812 10 44	Sulphur dichloride	kg	15%
2812 10 47	Thionyl chloride	kg	15%

(d) after tariff item 2812 10 50 and the entries relating thereto, the following shall be inserted, namely—

2812 10 60	Arsenic trichloride	kg	15%
------------	---------------------	----	-----

(e) in heading 2851, for tariff item 2851 00 90 and the entries relating thereto, the following shall be substituted, namely—

2851 00 91	Other	kg	15%
2851 00 99	Oxygen chloride (Cl <sub>2</sub> O)	kg	15%

(f) in Chapter 29,—

(i) in heading 2903, for tariff item 2903 30 10 and the entries relating thereto, the following shall be substituted, namely—

2903 30 11	Fluorinated derivatives:—	kg	15%
2903 30 19	Other	kg	15%

(ii) in heading 2904, after tariff item 2904 90 70 and the entries relating thereto, the following shall be inserted, namely—

2904 90 80	Chloropictin (Tichloronitro-Methane)	kg	15%
------------	--------------------------------------	----	-----

(iii) in heading 2905, for tariff item 2905 19 00 and the entries relating thereto, the following shall be substituted, namely—

2905 19	Other:		
2905 19 10	2-Butanol, 3, 3-dimethyl-	kg	15%
2905 19 90	Other	kg	15%

(iv) in heading 2918, for tariff item 2918 19 00 and the entries relating thereto, the following shall be substituted, namely—

2918 19	Other:		
2918 19 10	Benzeneacetic acid, alpha-hydroxy-alpha-phenyl-	kg	15%
2918 19 90	Other	kg	15%

(v) in heading 2930,—

(a) for tariff item 2930 10 00 and the entries relating thereto, the following shall be substituted, namely—

2930 10 10	Phosphoric acid, S [2-(diethylamino) ethyl] O,O-dimethyl ester, and Phosphoric acid, S [2-(diethylamino) ethyl] O,O-dimethyl ester	kg	15%
------------	--	----	-----

2930 10 20	Triphosphoric esters (phosphorothioates) and their salts; their halogenated, sulphated, nitrated or nitrosated derivatives	kg	15%
(b) for tariff item 2930 90 90 and the entries relating thereto, the following shall be substituted, namely—			
2930 90 41	Other	kg	15%
2930 90 42	Triethyl Phosphite	kg	15%
2930 90 43	Dimethyl Phosphite	kg	15%
2930 90 44	Diethyl Phosphite	kg	15%
2930 90 45	O, O, Dimethyl Methyl Phosphonate	kg	15%
2930 90 47	Phosphoric Acid, Methyl-	kg	15%
2930 90 48	1-Propantiaminium N, N, N-trimethyl-3-[1-oxo-9-octadecylamino]-[2-methyl methylphosphono] compound with (ammonium methyl) urea (1:1)	kg	15%
2930 90 51	Phosphonic acid, methyl-bis (5-ethyl-2-methyl-2-oxo-1,3,2-dioxaphosphorin-5-yl) methyl ester	kg	15%
2930 90 52	Phosphonic acid, [methyl-, (5-ethyl-2-methyl-2-oxo-1,3,2-dioxaphosphorin-5-yl)methyl] ester	kg	15%
2930 90 53	Phosphonic acid, propyl-dimethyl ester	kg	15%
2930 90 54	Phosphonic acid, methyl-dimethyl ester	kg	15%
2930 90 55	Phosphonic acid, ethyl-	kg	15%
2930 90 56	Phosphonic acid, propyl-	kg	15%
2930 90 57	Phosphonic acid, methyl-	kg	15%
2930 90 58	Phosphonic acid, methyl-, methyl ester	kg	15%
2930 90 61	Phosphonothioic dichloride, ethyl-	kg	15%
2930 90 62	Phosphonic acid, methyl-	kg	15%
2930 90 63	Phosphonic acid, methyl-, dimethyl ester	kg	15%
2930 90 64	Phosphonic dichloride, methyl-	kg	15%
2930 90 65	Phosphonic dichloride, methyl-	kg	15%
2930 90 66	Phosphonic acid, ethyl-, diethyl ester	kg	15%
2930 90 69	Other	kg	15%
(vi) in heading 2921, for tariff item 2921 19 00 and the entries relating thereto, the following shall be substituted, namely—			
2921 19	Other:		
2921 19 11	2-Chloro N,N-Diisopropyl ethylamine and Ethanamine, 2-Chloro-N,N-dimethyl-	kg	15%
2921 19 14	2-Chloro N,N-Diisopropyl ethylamine	kg	15%
2921 19 90	Ethanamine, 2-Chloro-N,N-dimethyl-	kg	15%
(vii) in heading 2922, 2922 11 00 and 2922 12 00 and the entries relating thereto, the following shall be substituted, namely—			
2922 11	Other:		
2922 11 11	Monothalamines and its salts:—		
2922 11 12	2-Hydroxy N,N-Diisopropyl Ethylamine, N,N-Diethyl Amine ethyl Chloride Hydrochloride, Diethyl Amine ethanethiol Hydrochloride, Di-Methyl Amine ethyl Chloride Hydrochloride, N,N-Diethyl Amine ethyl Chloride Hydrochloride	kg	15%
2922 11 13	Diethyl Amine ethanethiol Hydrochloride	kg	15%
2922 11 14	Di-Methyl Amine ethyl chloride Hydrochloride	kg	15%
2922 11 15	Di-Methyl Amine ethanethiol	kg	15%
2922 11 16	Di-Methyl Amine ethanethiol Hydrochloride	kg	15%
2922 11 90	Other	kg	15%
2922 12	Diethanamine and its salts:—		
2922 12 11	Ethyldiethanamine and Methyl-diethanamine	kg	15%
2922 12 12	Methyl-diethanamine	kg	15%
2922 12 90	Other	kg	15%
(b) for tariff item 2922 19 00 and the entries relating thereto, the following shall be substituted, namely—			
2922 19	Diethyl Amine ethanethiol	kg	15%
2922 19 10	Other	kg	15%
2922 19 20	Ethanol, 2-[(1-methyl) ethyl] amino-	kg	15%
2922 19 30	Ethanol, 2-(diethylamino)-	kg	15%
2922 19 90	Other	kg	15%
(viii) in heading 2930, for tariff item 2930 90 90 and the entries relating thereto, the following shall be substituted, namely—			
2930 90 91	Other:		
2930 90 91	Ethanol, 2,2-thiole-	kg	15%
2930 90 99	Other	kg	15%
(ix) in heading 2933, after tariff item 2933 99 20 and the entries relating thereto, the following shall be inserted, namely—			
2933 99 30	1-Azabicyclo (2,2,2) octane-3-ol	kg	15%
(x) in heading 2939, for tariff item 2939 29 00 and the entries relating thereto, the following shall be substituted, namely—			
2939 29 10	Benzeneacetic acid, alpha-hydroxy-alpha-phenyl-, azabicyclo(2,2,2)oct-3-yl ester	kg	15%
2939 29 90	Other	kg	15%

**THE THIRD SCHEDULE**  
(See section 81)

1. In this Schedule, "heading", "sub-heading" and "tariff item" mean respectively a heading, sub-heading and tariff item in the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1985).

2. The rules for the interpretation of this First Schedule to the Central Excise Tariff Act, 1985 (5 of 1985), the Section and Chapter Notes and the General Explanatory Notes of the said First Schedule shall, apply to the interpretation of this Schedule.

S. No.	Heading, sub-heading or tariff item	Description of goods
(1)	(2)	(3)
1.	0402 91 10 or 0402 99 20	Concentrated (condensed) milk, whether sweetened or not put up in unit containers and ordinarily intended for sale
2.	1702	Preparation of other sugar
3.	1702	Sugar syrups not containing added flavouring or colouring matter, artificial honey whether or not mixed with natural honey, caramel Gums, whether not sugar coated (including chewing gum, bubble gum and the like)
4.	1704 90	All goods
5.	1704 90 00 or 1806 10 00	Cocoa powder, whether or not containing added sugar or other sweetening matter
6.	1806 10 00	Other food preparations containing cocoa
7.	1806	Chocolates in any form, whether or not containing nuts, fruit, kernels or fruits including drinking chocolates
8.	1806 90 10	All goods
9.	1901 20 00 or 1901 90	All goods other than sevyani (Vermicelli)
10.	1902	All goods
11.	1904	All goods
12.	1905 31 00 or 1905 90 20	Biscuits, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power
13.	1905 32 11 or 1905 32 90	Waffles and wafers, coated with chocolate or containing chocolate
14.	1905 32 19 or 1905 32 90	All goods
15.	2101 11 00 or 2101 12 00	Extracts, essences and concentrates, of coffee, and preparations with a basis of these extracts, essences or concentrates or with a basis of coffee
16.	2102	All goods
17.	2105 00 00	Ice cream and other edible ice, whether or not containing cocoa
18.	2106 90 20	Plan massala, only in retail packs containing ten grams or more per pack, other than the goods containing not more than 15% betel nut by weight and not containing tobacco in any proportion
19.	2106 90 30	Betel nut powder known as "Supari"
20.	2106 90 11	Shabari
21.	2106 90 19, 2106 90 40, 2106 90 50, 2106 90 60, 2106 90 70, 2106 90 80, 2106 90 91, 2106 90 99	Edible preparations (excluding "Prasad or prasadam"), not elsewhere specified or included, bearing a brand name
22.	2201	Waters, including natural or artificial mineral waters (excluding Aerated waters), bearing a brand name
23.	2201 10 20	Aerated waters
24.	2202 10 10	Aerated waters
25.	2202 19 90	Waters, including mineral waters, bearing a brand name
26.	2209	Vinegar and substitutes for vinegar obtained from acetic acid
27.	2403 99 10, 2403 99 20, 2403 99 30	Chewing tobacco and preparations containing chewing tobacco
28.	2403 99 90	Plan massala containing tobacco
29.	2523 21 00	White cement, whether or not artificially coloured and whether or not with rapid hardening properties
30.	2710	Lubricating oils and lubricating preparations
31.	3204 20 or 3204 90 00	Synthetic organic products of a kind used as fluorescent brightening agents or as lumophores
32.	3206	All goods other than pigments and inorganic products of a kind used as lumophores
33.	3208 or 3209 or 3210	All goods

# Finance Bill

1. In this Schedule, "heading", "sub-heading", "tariff item" and "Chapter" mean respectively a heading, sub-heading, tariff item and Chapter in the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1985).

2. The rules for the interpretation of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1985), this Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall apply to the interpretation of this Schedule.

Table with 4 columns: Tariff item, Description of goods, Unit, Rate of duty. Contains items 2108 90 20 to 2403 99 90.

### THE EIGHTH SCHEDULE

[See section 86(a)]

In the First Schedule to the Central Excise Tariff Act,—

- (1) In Chapter 15, after NOTE 5, the following NOTE shall be inserted, namely:—
"6. In relation to refined edible vegetable oils falling under headings 1507 to 1515, the process of refining, that is to say, any one or more of the processes, namely, treatment of crude oil with an alkali, bleaching and deodorisation, shall amount to 'manufacture'."
(2) In Chapter 17, for the entry in column (4) occurring against all the tariff items of heading 1703, the entry "Rs. 1,000 per tonne" shall be substituted.
(3) In Chapter 22, in tariff item 2201 90 90, for the entry in column (4), the entry "16% plus Rs. 15.00 per litre" shall be substituted.
(4) In Chapter 25, in tariff item 2523 10 00, for the entry in column (4), the entry "Rs. 350 per tonne" shall be substituted.
(5) In Chapter 27,—
(a) for the entry in column (4) occurring against all tariff items of sub-heading 2710 11, the entry "16% plus Rs. 15.00 per litre" shall be substituted;
(b) in tariff item 2710 19 30, for the entry in column (4), the entry "16% plus Rs. 5.00 per litre" shall be substituted;
(c) in tariff item 2710 19 40, for the entry in column (4), the entry "16% plus Rs. 5.00 per litre" shall be substituted.
(6) In Chapter 37, in tariff items 3701 10 00, 3701 90 10 and 3701 90 90, for the entry in column (4) occurring against each of them, the entry "16%" shall be substituted;
(7) In Chapter 71, after NOTE 11, the following NOTE shall be inserted, namely:—
"12. In this Chapter, 'brand name' or 'trade name' means a brand name or trade name, whether registered or not, that is to say, a name or a mark, such as symbol, monogram, label, signature or invented words or any writing which is used in relation to a product, for the purpose of indicating, or so as to indicate, a connection in the course of trade between the product and some person using such name or mark with or without any indication of the identity of that person.
13. For the purposes of heading 7113, the processes of affixing or embossing trade name or brand name on articles of jewellery shall amount to 'manufacture'."

### THE NINTH SCHEDULE

[See section 86(b)]

Table with 4 columns: Tariff item, Description of goods, Unit, Rate of duty. Contains items 2403 91 00 to 2403 99 60.

### THE TENTH SCHEDULE

[See section 118]

### FIRST SCHEDULE

[See section 3(1)]

1. In this Schedule, "tariff item", "heading", "sub-heading" and "Chapter" mean respectively a tariff item, heading, sub-heading and Chapter in the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1985).

2. The rules for the interpretation of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1985), this Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, so far as may be, apply to the interpretation of this Schedule.

Table with 4 columns: Tariff item, Description of goods, Unit, Rate of Additional Duty. Contains items 1701 to 2402 50.

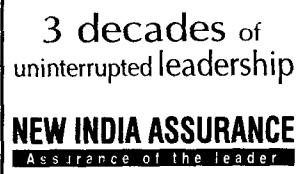
Table with 4 columns: Tariff item, Description of goods, Unit, Rate of duty. Contains items 5111 20 30 to 5209 21 90.

Table with 4 columns: Tariff item, Description of goods, Unit, Rate of duty. Contains items 5209 21 70 to 5211 43 00.

# Finance Bill

5211 49 10	--- Zari bordered sarees	m <sup>2</sup>	8%	5407 93 00	--- Of yarns of different colours	m <sup>2</sup>	8%	5515 21 20	--- Bleached	m <sup>2</sup>	8%
5211 49 90	--- Other	m <sup>2</sup>	8%	5407 94 00	--- Printed	m <sup>2</sup>	8%	5515 21 30	--- Dyed	m <sup>2</sup>	8%
5211 51	--- Plain weave :			5408	WOVEN FABRICS OF ARTIFICIAL FILAMENT YARN, INCLUDING WOVEN FABRICS OBTAINED FROM MATERIALS OF HEADINGS 5405			5515 21 40	--- Printed	m <sup>2</sup>	8%
5211 51 10	--- Shirting fabrics	m <sup>2</sup>	8%	5408 10 00	Woven fabrics obtained from high tenacity yarn of viscose rayon	m <sup>2</sup>	8%	5515 21 90	--- Other	m <sup>2</sup>	8%
5211 51 20	--- Furnishing fabrics (excluding pile and chenille fabrics)	m <sup>2</sup>	8%	5408 11 00	Woven fabrics containing 85% or more by weight of artificial filament or strip or the like :	m <sup>2</sup>	8%	5515 22	--- Mixed mainly or solely with wool or fine animal hair :	m <sup>2</sup>	8%
5211 51 30	--- Flannel	m <sup>2</sup>	8%	5408 21	Unbleached or bleached :	m <sup>2</sup>	8%	5515 22 10	--- Bleached	m <sup>2</sup>	8%
5211 51 40	--- Long cloth (chintz)	m <sup>2</sup>	8%	5408 21 10	Unbleached	m <sup>2</sup>	8%	5515 22 20	--- Dyed	m <sup>2</sup>	8%
5211 51 50	--- Sari	m <sup>2</sup>	8%	5408 21 20	Bleached	m <sup>2</sup>	8%	5515 22 30	--- Printed	m <sup>2</sup>	8%
5211 51 90	--- Other	m <sup>2</sup>	8%	5408 22	Dyed :	m <sup>2</sup>	8%	5515 22 40	--- Other	m <sup>2</sup>	8%
5212 52	--- 3-thread or 4-thread twill, including cross twill :	m <sup>2</sup>	8%	5408 22 11	Fabrics of rayon :	m <sup>2</sup>	8%	5515 22 90	--- Other	m <sup>2</sup>	8%
5212 52 10	--- Crepe fabrics including crepe checks	m <sup>2</sup>	8%	5408 22 12	Rayon crepe fabrics	m <sup>2</sup>	8%	5515 23 10	Unbleached	m <sup>2</sup>	8%
5212 52 20	--- Shirting fabrics	m <sup>2</sup>	8%	5408 22 13	Rayon jacquards	m <sup>2</sup>	8%	5515 23 20	Bleached	m <sup>2</sup>	8%
5212 52 30	--- Twill, not elsewhere specified (including gabardine)	m <sup>2</sup>	8%	5408 22 14	Rayon georgette	m <sup>2</sup>	8%	5515 23 30	Dyed :	m <sup>2</sup>	8%
5212 52 90	--- Other	m <sup>2</sup>	8%	5408 22 15	Rayon tulle	m <sup>2</sup>	8%	5515 23 40	Printed	m <sup>2</sup>	8%
5212 53	--- Other fabrics :			5408 22 16	Rayon sailings	m <sup>2</sup>	8%	5515 23 90	--- Other	m <sup>2</sup>	8%
5212 53 10	--- Zari bordered saree	m <sup>2</sup>	8%	5408 22 17	Other	m <sup>2</sup>	8%	5515 24	--- Other woven fabrics :		
5212 53 90	--- Other	m <sup>2</sup>	8%	5408 22 18	Other	m <sup>2</sup>	8%	5515 91	--- Mixed mainly or solely with man-made filaments :		
5212 54	--- Other fabrics :			5408 22 19	Other	m <sup>2</sup>	8%	5515 91 10	Unbleached	m <sup>2</sup>	8%
5212 54 10	--- Zari bordered saree	m <sup>2</sup>	8%	5408 22 20	Fabrics of continuous filament, other than rayon	m <sup>2</sup>	8%	5515 91 20	Bleached	m <sup>2</sup>	8%
5212 54 90	--- Other	m <sup>2</sup>	8%	5408 22 21	Other	m <sup>2</sup>	8%	5515 91 30	Unbleached	m <sup>2</sup>	8%
5212 55	--- Other	m <sup>2</sup>	8%	5408 22 22	Of yarns of different colours	m <sup>2</sup>	8%	5515 91 40	Printed	m <sup>2</sup>	8%
5212 55 10	--- Weighing not more than 200 gm <sup>2</sup> :			5408 22 23	Printed :	m <sup>2</sup>	8%	5515 91 90	--- Other	m <sup>2</sup>	8%
5212 55 20	--- Unbleached	m <sup>2</sup>	8%	5408 22 24	Of rayon :	m <sup>2</sup>	8%	5515 92 10	Mixed mainly or solely with wool or fine animal hair :	m <sup>2</sup>	8%
5212 55 30	--- Bleached	m <sup>2</sup>	8%	5408 24 1	Rayon crepe fabrics	m <sup>2</sup>	8%	5515 92 20	Bleached	m <sup>2</sup>	8%
5212 55 40	--- Dyed	m <sup>2</sup>	8%	5408 24 12	Rayon jacquards	m <sup>2</sup>	8%	5515 92 30	Dyed	m <sup>2</sup>	8%
5212 55 90	--- Of yarns of different colours	m <sup>2</sup>	8%	5408 24 13	Rayon broadades	m <sup>2</sup>	8%	5515 92 40	Printed	m <sup>2</sup>	8%
5212 56	--- Printed	m <sup>2</sup>	8%	5408 24 14	Rayon georgette	m <sup>2</sup>	8%	5515 92 90	--- Other	m <sup>2</sup>	8%
5212 57	--- Weighing more than 200 gm <sup>2</sup> :			5408 24 15	Rayon tulle	m <sup>2</sup>	8%	5515 93 10	Mixed mainly or solely with wool or fine animal hair :	m <sup>2</sup>	8%
5212 57 10	--- Unbleached	m <sup>2</sup>	8%	5408 24 16	Rayon sailings	m <sup>2</sup>	8%	5515 93 20	Bleached	m <sup>2</sup>	8%
5212 57 20	--- Bleached	m <sup>2</sup>	8%	5408 24 17	Rayon shirtings	m <sup>2</sup>	8%	5515 93 30	Dyed	m <sup>2</sup>	8%
5212 57 30	--- Dyed	m <sup>2</sup>	8%	5408 24 18	Other	m <sup>2</sup>	8%	5515 93 40	Printed	m <sup>2</sup>	8%
5212 57 90	--- Of yarns of different colours	m <sup>2</sup>	8%	5408 24 19	Other	m <sup>2</sup>	8%	5515 93 90	--- Other	m <sup>2</sup>	8%
5407	WOVEN FABRICS OF SYNTHETIC FILAMENT YARN, INCLUDING WOVEN FABRICS OBTAINED FROM MATERIALS OF HEADINGS 5405			5408 24 90	Other	m <sup>2</sup>	8%	5516	WOVEN FABRICS OF ARTIFICIAL STAPLE FIBRES		
5407 10	Woven fabrics obtained from high tenacity yarn of nylon or other polyamides or of polyesters :			5408 31	Other woven fabrics :			5516 11	Containing 85% or more by weight of artificial staple fibres :		
5407 10 11	Unbleached :			5408 31 10	Unbleached or bleached :			5516 11 10	Unbleached or bleached :		
5407 10 12	Unbleached	m <sup>2</sup>	8%	5408 31 20	Bleached	m <sup>2</sup>	8%	5516 11 20	Unbleached	m <sup>2</sup>	8%
5407 10 13	Unbleached	m <sup>2</sup>	8%	5408 31 30	Dyed :	m <sup>2</sup>	8%	5516 11 30	Bleached	m <sup>2</sup>	8%
5407 10 14	Unbleached	m <sup>2</sup>	8%	5408 31 40	Fabrics of rayon :	m <sup>2</sup>	8%	5516 11 40	Dyed	m <sup>2</sup>	8%
5407 10 15	Unbleached	m <sup>2</sup>	8%	5408 32 11	Rayon broadades	m <sup>2</sup>	8%	5516 11 90	Of yarns of different colours	m <sup>2</sup>	8%
5407 10 16	Unbleached	m <sup>2</sup>	8%	5408 32 12	Rayon georgette	m <sup>2</sup>	8%	5516 12	Printed :		
5407 10 17	Unbleached	m <sup>2</sup>	8%	5408 32 13	Rayon tulle	m <sup>2</sup>	8%	5516 12 10	Spun rayon printed shirting	m <sup>2</sup>	8%
5407 10 18	Unbleached	m <sup>2</sup>	8%	5408 32 14	Rayon sailings	m <sup>2</sup>	8%	5516 12 20	Spun rayon printed linen	m <sup>2</sup>	8%
5407 10 19	Unbleached	m <sup>2</sup>	8%	5408 32 15	Rayon shirtings	m <sup>2</sup>	8%	5516 12 30	Other	m <sup>2</sup>	8%
5407 10 20	Unbleached	m <sup>2</sup>	8%	5408 32 16	Other	m <sup>2</sup>	8%	5516 12 40	Containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with man-made filaments :		
5407 10 21	Unbleached	m <sup>2</sup>	8%	5408 32 17	Other	m <sup>2</sup>	8%	5516 12 90	Unbleached or bleached :		
5407 10 22	Unbleached	m <sup>2</sup>	8%	5408 32 18	Of yarns of different colours	m <sup>2</sup>	8%	5516 13	Unbleached	m <sup>2</sup>	8%
5407 10 23	Unbleached	m <sup>2</sup>	8%	5408 32 19	Printed	m <sup>2</sup>	8%	5516 13 10	Bleached	m <sup>2</sup>	8%
5407 10 24	Unbleached	m <sup>2</sup>	8%	5408 32 20	Of rayon :	m <sup>2</sup>	8%	5516 13 20	Dyed	m <sup>2</sup>	8%
5407 10 25	Unbleached	m <sup>2</sup>	8%	5408 32 21	Fabrics of rayon :	m <sup>2</sup>	8%	5516 13 30	Of yarns of different colours	m <sup>2</sup>	8%
5407 10 26	Unbleached	m <sup>2</sup>	8%	5408 32 22	Rayon crepe fabrics	m <sup>2</sup>	8%	5516 13 40	Printed	m <sup>2</sup>	8%
5407 10 27	Unbleached	m <sup>2</sup>	8%	5408 32 23	Rayon jacquards	m <sup>2</sup>	8%	5516 13 90	--- Other	m <sup>2</sup>	8%
5407 10 28	Unbleached	m <sup>2</sup>	8%	5408 32 24	Rayon broadades	m <sup>2</sup>	8%	5516 14	Containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with wool or fine animal hair :		
5407 10 29	Unbleached	m <sup>2</sup>	8%	5408 32 25	Rayon georgette	m <sup>2</sup>	8%	5516 14 10	Unbleached or bleached :		
5407 10 30	Unbleached	m <sup>2</sup>	8%	5408 32 26	Rayon tulle	m <sup>2</sup>	8%	5516 14 20	Unbleached	m <sup>2</sup>	8%
5407 10 31	Unbleached	m <sup>2</sup>	8%	5408 32 27	Rayon sailings	m <sup>2</sup>	8%	5516 14 30	Bleached	m <sup>2</sup>	8%
5407 10 32	Unbleached	m <sup>2</sup>	8%	5408 32 28	Rayon shirtings	m <sup>2</sup>	8%	5516 14 40	Dyed	m <sup>2</sup>	8%
5407 10 33	Unbleached	m <sup>2</sup>	8%	5408 32 29	Other	m <sup>2</sup>	8%	5516 14 90	--- Other	m <sup>2</sup>	8%
5407 10 34	Unbleached	m <sup>2</sup>	8%	5408 32 30	Of yarns of different colours	m <sup>2</sup>	8%	5516 15	Containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with man-made filaments :		
5407 10 35	Unbleached	m <sup>2</sup>	8%	5408 32 31	Printed	m <sup>2</sup>	8%	5516 15 10	Unbleached or bleached :		
5407 10 36	Unbleached	m <sup>2</sup>	8%	5408 32 32	Of rayon :	m <sup>2</sup>	8%	5516 15 20	Unbleached	m <sup>2</sup>	8%
5407 10 37	Unbleached	m <sup>2</sup>	8%	5408 32 33	Fabrics of rayon :	m <sup>2</sup>	8%	5516 15 30	Bleached	m <sup>2</sup>	8%
5407 10 38	Unbleached	m <sup>2</sup>	8%	5408 32 34	Rayon crepe fabrics	m <sup>2</sup>	8%	5516 15 40	Dyed	m <sup>2</sup>	8%
5407 10 39	Unbleached	m <sup>2</sup>	8%	5408 32 35	Rayon jacquards	m <sup>2</sup>	8%	5516 15 90	--- Other	m <sup>2</sup>	8%
5407 10 40	Unbleached	m <sup>2</sup>	8%	5408 32 36	Rayon broadades	m <sup>2</sup>	8%	5516 16	Containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with man-made filaments :		
5407 10 41	Unbleached	m <sup>2</sup>	8%	5408 32 37	Rayon georgette	m <sup>2</sup>	8%	5516 16 10	Unbleached or bleached :		
5407 10 42	Unbleached	m <sup>2</sup>	8%	5408 32 38	Rayon tulle	m <sup>2</sup>	8%	5516 16 20	Unbleached	m <sup>2</sup>	8%
5407 10 43	Unbleached	m <sup>2</sup>	8%	5408 32 39	Rayon sailings	m <sup>2</sup>	8%	5516 16 30	Bleached	m <sup>2</sup>	8%
5407 10 44	Unbleached	m <sup>2</sup>	8%	5408 32 40	Rayon shirtings	m <sup>2</sup>	8%	5516 16 40	Dyed	m <sup>2</sup>	8%
5407 10 45	Unbleached	m <sup>2</sup>	8%	5408 32 41	Other	m <sup>2</sup>	8%	5516 16 90	--- Other	m <sup>2</sup>	8%
5407 10 46	Unbleached	m <sup>2</sup>	8%	5408 32 42	Of yarns of different colours	m <sup>2</sup>	8%	5516 17	Containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with man-made filaments :		
5407 10 47	Unbleached	m <sup>2</sup>	8%	5408 32 43	Printed	m <sup>2</sup>	8%	5516 17 10	Unbleached or bleached :		
5407 10 48	Unbleached	m <sup>2</sup>	8%	5408 32 44	Of rayon :	m <sup>2</sup>	8%	5516 17 20	Unbleached	m <sup>2</sup>	8%
5407 10 49	Unbleached	m <sup>2</sup>	8%	5408 32 45	Fabrics of rayon :	m <sup>2</sup>	8%	5516 17 30	Bleached	m <sup>2</sup>	8%
5407 10 91	Unbleached	m <sup>2</sup>	8%	5408 32 46	Rayon crepe fabrics	m <sup>2</sup>	8%	5516 17 40	Dyed	m <sup>2</sup>	8%
5407 10 92	Unbleached	m <sup>2</sup>	8%	5408 32 47	Rayon jacquards	m <sup>2</sup>	8%	5516 17 90	--- Other	m <sup>2</sup>	8%
5407 10 93	Unbleached	m <sup>2</sup>	8%	5408 32 48	Rayon broadades	m <sup>2</sup>	8%	5516 18	Containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with man-made filaments :		
5407 10 94	Unbleached	m <sup>2</sup>	8%	5408 32 49	Rayon georgette	m <sup>2</sup>	8%	5516 18 10	Unbleached or bleached :		
5407 10 95	Unbleached	m <sup>2</sup>	8%	5408 32 50	Rayon tulle	m <sup>2</sup>	8%	5516 18 20	Unbleached	m <sup>2</sup>	8%
5407 10 96	Unbleached	m <sup>2</sup>	8%	5408 32 51	Rayon sailings	m <sup>2</sup>	8%	5516 18 30	Bleached	m <sup>2</sup>	8%
5407 10 97	Unbleached	m <sup>2</sup>	8%	5408 32 52	Rayon shirtings	m <sup>2</sup>	8%	5516 18 40	Dyed	m <sup>2</sup>	8%
5407 10 98	Unbleached	m <sup>2</sup>	8%	5408 32 53	Other	m <sup>2</sup>	8%	5516 18 90	--- Other	m <sup>2</sup>	8%
5407 10 99	Unbleached	m <sup>2</sup>	8%	5408 32 54	Of yarns of different colours	m <sup>2</sup>	8%	5516 19	Containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with man-made filaments :		
5407 30 10	Unbleached	m <sup>2</sup>	8%	5408 32 55	Printed	m <sup>2</sup>	8%	5516 19 10	Unbleached or bleached :		
5407 30 20	Unbleached	m <sup>2</sup>	8%	5408 32 56	Of rayon :	m <sup>2</sup>	8%	5516 19 20	Unbleached	m <sup>2</sup>	8%
5407 30 30	Unbleached	m <sup>2</sup>	8%	5408 32 57	Fabrics of rayon :	m <sup>2</sup>	8%	5516 19 30	Bleached	m <sup>2</sup>	8%
5407 30 40	Unbleached	m <sup>2</sup>	8%	5408 32 58	Rayon crepe fabrics	m <sup>2</sup>	8%	5516 19 40	Dyed	m <sup>2</sup>	8%
5407 30 90	Unbleached	m <sup>2</sup>	8%	5408 32 59	Rayon jacquards	m <sup>2</sup>	8%	5516 19 90	--- Other	m <sup>2</sup>	8%
5407 41	Other woven fabrics, containing 85% or more by weight of filaments of nylon or other polyamides :			5408 32 60	Rayon broadades	m <sup>2</sup>	8%	5516 20	Containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with man-made filaments :		
54											





# Finance Bill

nature of cost of any land (or building) on in-house research and development facility, as approved by the prescribed authority, is allowed a deduction of a sum equal to one and one-half times of the expenditure incurred. However, no deduction with regard to such expenditure incurred after 31st March, 2005 shall be allowed.

It is proposed to amend the said sub-section (2A) so as to provide that deduction under the said sub-section shall be allowed with regard to such expenditure incurred upto 31st March, 2007.

**Clause 11** seeks to amend section 35DDA of the Income-tax Act relating to amortisation of expenditure incurred under voluntary retirement scheme. Under the existing provisions contained in sub-section (1) of the said section, where an assessee incurs any expenditure in any previous year by way of payment of any sum to an employee at the time of his voluntary retirement, under any scheme of voluntary retirement framed in accordance with the guidelines prescribed under clause (10C) of section 10, one-fifth of the amount so paid shall be deducted in computing the profits and gains of the business for that previous year, and the balance shall be deducted in equal instalments for each of the four immediately succeeding previous years.

It is proposed to amend the aforesaid sub-section (1) so as to allow the whole expenditure incurred by the assessee in making payments to the employee in connection with his voluntary retirement either in the year of retirement or in any subsequent year, each part payment being entitled to deduction in five equal annual instalments beginning from the year in which such part payment is made to the employee.

This amendment will take effect retrospectively from 1st April, 2004 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 12** seeks to amend section 36 of the Income-tax Act relating to other deductions. The existing provisions of sub-section (1) of the said section provides for allowing certain deductions in the manner provided in its various clauses. It is proposed to insert a new clause (iia) in the said sub-section so as to provide deduction for the discount on a zero coupon bond on pro rata basis to be calculated in the manner as may be prescribed. The Explanation to the proposed clause provides the meaning of the expression "discount" as a difference of the amount received or receivable on issue of the bond and the amount payable on maturity or redemption of the bond issued by an infrastructural company or infrastructure capital fund or public sector company. It is also proposed to define the terms "period of life of the bond", "infrastructural capital company" and "infrastructural bond issued" by way of an Explanation.

It is further proposed to insert a new clause in the said sub-section so as to provide for allowing deduction in respect of banking cash transaction tax paid by the assessee during the year on the taxable banking transactions entered into by him. Explanation to this clause provides that for purposes of this clause the expressions "banking cash transaction tax" and "taxable banking transactions" shall have the same meanings respectively assigned to them under Chapter VII of the Finance Act, 2005.

These amendments will take effect from 1st April, 2006, and shall accordingly apply for assessment year 2006-07 and subsequent years.

**Clause 13** seeks to amend section 40 of the Income-tax Act relating to amounts not deductible. The proposed amendment is consequential in nature.

It is proposed to insert a new sub-section (4) in clause (a), of the said section 40 so as to provide that any sum paid on account of fringe benefit tax under the proposed new Chapter XII-H shall not be deducted in computing the income chargeable under the head "Profits and gains of business or profession". This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 14** seeks to amend section 43 of the Income-tax Act relating to definitions of certain terms relevant to income from profits and gains of business or profession. Under the existing provisions contained in the proviso to clause (5) of the said section, certain transactions are not deemed to be speculative transactions.

The proposed amendment seeks to provide that an eligible transaction in respect of trading in derivatives carried out in a recognised stock exchange shall also not be deemed to be a speculative transaction. The proposed amendment also seeks to define certain expressions and prescribed conditions to be fulfilled by the recognised stock exchanges.

This amendment will take effect from 1st April, 2006, and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 15** seeks to amend section 47 of the Income-tax Act relating to transactions not regarded as transfer. The existing provisions contained in the said section, inter alia, provide for the transactions which are not regarded as transfer for purpose of section 45 relating to capital gains.

It is proposed to insert a new clause (viii) and an Explanation in the said section so as to provide that the provisions of section 45 shall not be applicable in respect of any transfer of a capital asset by a banking company to a banking institution in a scheme of amalgamation of such banking company with such banking institution sanctioned and brought into force by the Central Government under sub-section (7) of section 45 of the Banking Regulation Act, 1949. The Explanation to the said clause provides the meaning of expressions "banking company" and "banking institution" used in clause (viii).

This amendment will take effect retrospectively from 1st April, 2005 and will accordingly apply in relation to assessment year 2005-2006 and subsequent years.

**Clause 16** seeks to amend section 49 of the Income-tax Act relating to cost with reference to certain modes of acquisition.

The existing provisions contained in the said section, inter alia, provide the cost of acquisition of certain capital assets which became the property of the assessee by way of modes specified therein. It is proposed to amend sub-section (1) of the said section 49 so as to include therein the transfer of a capital asset by a banking company to a banking institution under a scheme sanctioned and brought into force by the Central Government under sub-section (7) of section 45 of the Banking Regulation Act, 1949. This amendment is therefore consequential in nature.

This amendment will take effect retrospectively from 1st April, 2005 and will accordingly apply in relation to assessment year 2005-2006 and subsequent years.

**Clause 17** seeks to amend section 54EC of the Income-tax Act relating to capital gain not to be charged on investment in certain assets.

The existing provisions of the said section provide that the capital gain arising from transfer of a long term capital asset shall be exempt from tax if such capital gain is invested, within a period of six months after the date of transfer, in a long term specified asset, being any bond redeemable after three years, issued by the National Bank for Agricultural and Rural Development or the National Highway Authority of India, the Rural Electrification Corporation Limited, the National Housing Bank or the Small Industries Development Bank of India. If part or the capital gain is so invested in acquiring the long term specified asset, proportionate exemption will be available. The exemption is available subject to the condition that the said long term specified assets are held for a minimum period of three years, failing which the exemption allowed on the basis of such investment will be deemed to be income chargeable to tax under the head "Capital gains" of the previous year in which such long term assets are sold or otherwise transferred.

Sub-section (3) of the said section provides that where the cost of the long term specified asset has been taken into account for the purposes of exemption under the said section 54EC, a deduction from the amount of income-tax with which such cost shall not be allowed under section 88C.

It is proposed to amend sub-section (3) so as to provide that where the cost of the long term specified asset has been taken into account for the purposes of exemption under the said section, a deduction from the income with reference to such cost shall not be allowed under the proposed section 80C.

**Clause 18** seeks to amend section 54D of the Income-tax Act relating to rebates of income-tax in case of women.

It is proposed to amend sub-section (1) of the said section 54D so as to provide that where the cost of the long term specified asset has been taken into account for the purposes of exemption under the said section, a deduction from the income with reference to such cost shall not be allowed under section 88C.

**Clause 19** of the Bill proposes to insert a new clause inserting into section 54, a deduction from the amount of income-tax with which such cost shall not be allowed under section 88C.

**Clause 20** seeks to amend section 54E of the Income-tax Act relating to rebates of income-tax in case of women.

It is proposed to amend sub-section (1) of the said section 54E so as to provide that where the cost of the long term specified asset has been taken into account for the purposes of exemption under the said section, a deduction from the income with reference to such cost shall not be allowed under section 88C.

**Clause 21** of the Bill proposes to insert a new section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 22** seeks to amend section 22A in the Income-tax Act relating to carry forward and set off of accumulated loss and unabsorbed depreciation allowance in scheme of amalgamation of banking company in certain cases.

The proposed new section seeks to provide that where a banking company has been amalgamated with a banking institution under a scheme sanctioned and brought into force by the Central Government under sub-section (7) of section 45 of the Banking Regulation Act, 1949, the accumulated loss and unabsorbed depreciation of the amalgamating banking company shall be deemed to be the loss or the allowance for depreciation of the banking institution with which the banking company has been amalgamated and all the provisions contained in the Income-tax Act relating to set-off and carry forward of loss and unabsorbed depreciation shall apply accordingly.

The Explanation to the proposed new section defines the expressions "accumulated loss", "banking company", "banking institution" and "depreciation" used in the said section. This amendment will take effect retrospectively from 1st April, 2005 and shall accordingly apply for assessment year 2005-06 and subsequent years.

**Clause 23** seeks to amend section 73 of the Income-tax Act relating to losses in speculation business. Under the existing provisions contained in sub-section (4) of the said section, the loss is to be carried forward for more than eight assessment years immediately succeeding the assessment year for which the loss was first computed.

It is proposed to amend the said sub-section (4) so as to reduce the period of loss to be carried forward from eight assessment years to four assessment years.

This amendment will take effect from 1st April, 2006, and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 24** seeks to insert a new section 80C in the Income-tax Act relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc.

Sub-section (1) of the proposed new section seeks to provide that in computing the total income of an individual or a Hindu undivided family, a deduction not exceeding one lakh rupees shall be allowed with respect to the amounts paid or deposited, in the previous year out of the income chargeable to tax, in the schemes or plans referred to in sub-section (2) of the said section.

Sub-section (2) of the proposed new section provides that the amount paid or deposited in the previous year to effect or keep in force an insurance or a contract for a deferred annuity on the life of specified persons, as contribution to general provident fund, recognised provident fund, contribution for participation in the Unit-linked Insurance Plans of LIC Mutual Fund, subscription to any deposit scheme of National Housing Bank, subscription to equity shares or debentures forming part of any eligible issue of capital of a public company or a public financial institution, repayment of housing loan, payment of tuition fees, etc. is eligible for deduction under the proposed new section.

Sub-section (3) of the proposed new section seeks to provide that the provisions of sub-section (2) shall apply only to so much of any premium or other payment made on an insurance policy other than a contract for a deferred annuity as is not in excess of twenty per cent. of the actual capital sum assured. It is also proposed to clarify by the Explanation to the proposed sub-section (3) that in calculating any such actual capital sum, no account shall be taken of the value of any premiums agreed to be returned, or of any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person.

Sub-section (4) of the proposed new section seeks to specify the persons in whose name the investments can be made.

Sub-section (5) of the proposed new section seeks to provide the consequences in the event of termination of contract of insurance before the expiry of five years or transfer of the house property referred to in clause (xviii) of sub-section (2) before the expiry of five years.

Sub-section (6) of the proposed new section seeks to provide the consequences in the event of transfer of equity shares or debentures within a period of three years from the date of their acquisition.

Sub-section (7) of the proposed new section seeks to provide the insurance, deferred annuity, provident fund, superannuation fund, unit-linked insurance plan, etc. of sub-section (2) of section 88 shall be eligible for deduction under the proposed new section 80C.

Sub-section (8) of the proposed new section seeks to define certain terms such as contribution, insurance, security, transfer, etc. for the purposes of the said new section.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 25** seeks to amend section 80CC of the Income-tax Act relating to deduction in respect of contribution to certain pension.

Under the existing provisions contained in the said section, an assessee being an individual, is allowed a deduction up to ten thousand rupees in the computation of his total income, of the amount paid or deposited by him to effect or keep in force a contract for any annuity plan of Life Insurance Corporation of India or any other institution or company for the purpose referred to in clause (b) of section 10.

Sub-section (3) of the said section provides that where any amount paid or deposited by the assessee, has been allowed as a deduction under the aforesaid section, a deduction with reference to such amount shall not be allowed under section 88.

It is proposed to amend sub-section (3) so as to provide that where any amount paid or deposited by the assessee, has been allowed as a deduction under the aforesaid section, a deduction with reference to such amount shall not be allowed under section 80C.

amount shall not be allowed under section 80C.

**Clause 26** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 27** seeks to amend section 80CC of the Income-tax Act relating to deduction in respect of contribution to pension scheme of Central Government.

Under the existing provisions contained in the said section, an assessee being an individual, employed by the Central Government or any other body established or constituted under any Central or State Act, is allowed a deduction in the computation of his total income, of the amount (as does not exceed ten per cent. of his salary) paid or deposited by him in his account under a pension scheme notified by the Central Government. A similar deduction is also allowed with respect to the amount contributed by the Central Government to the said account.

Sub-section (4) of the said section provides that where any amount paid or deposited by the assessee, has been allowed as a deduction under sub-section (1), no rebate with reference to such amount shall be allowed under section 88.

It is proposed to amend sub-section (4) so as to provide that where any amount paid or deposited by the assessee has been allowed as a deduction under sub-section (1), no deduction with reference to such amount shall be allowed under section 80C.

**Clause 28** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 29** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 30** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 31** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 32** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 33** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 34** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 35** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 36** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 37** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 38** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 39** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 40** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 41** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 42** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 43** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 44** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 45** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 46** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 47** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 48** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 49** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 50** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 51** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 52** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 53** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 54** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 55** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 56** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 57** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 58** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 59** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

**Clause 60** seeks to amend section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

The proposed new section 115WH relates to the issue of notice where fringe benefits have escaped assessment. It, inter alia, provides that where fringe benefits have escaped assessment, before making the assessment or reassessment under section 115WG, the Assessing Officer shall serve a notice on the assessee requiring him to furnish a return of fringe benefits within the prescribed period and in the prescribed form and manner, setting forth such particulars as may be prescribed. However, no such notice shall be issued for the relevant assessment year after the expiry of six years from the end of the relevant assessment year. It has also been provided that where an assessment under sub-section (3) of section 115WE or section 115WG has been made for the relevant assessment year, no notice shall be issued under this section, after the expiry of four years from the end of the relevant assessment year, unless the Chief Commissioner or Commissioner is satisfied, on the reasons recorded by the Assessing Officer, that it is a fit case for the issue of such notice.

The proposed new section 115WI relates to payment of fringe benefits. It, inter alia, provides that irrespective of the fact that the regular assessment in respect of fringe benefits is to be made in a later assessment year, the tax on such fringe benefits shall be payable in advance during any financial year, in accordance with the provisions of section 115WJ.

The proposed new section 115WK relates to advance tax in respect of fringe benefits. It, inter alia, provides that every employer shall pay advance tax on his current fringe benefits. The amount of advance tax payable in the financial year shall be thirty per cent. of the value of the fringe benefits paid or payable in each quarter. The advance tax shall be payable on or before 15th day of the month following such quarter. It has also been provided that the advance tax payable in relation to the quarter ending on 31st March of the financial year shall be paid by the assessee on or before 15th March of the said financial year. It has also been provided that where an assessee, fails to pay advance tax for any quarter or where the advance tax paid by him is less than thirty per cent. of the value of fringe benefits paid or payable in that quarter, he shall be liable to pay simple interest at the rate of one per cent. on the shortfall, for every month or part of a month for which the shortfall continues.

The proposed new section 115WL relates to interest for default in furnishing return of fringe benefit. It, inter alia, provides that where the return of fringe benefits for any assessment year under section 115WJ is furnished after the due date, or is not furnished, the employer shall be liable to pay simple interest at the rate of one per cent. for every month or part of a month, comprised in the period commencing on the date immediately following the due date and ending on the date of furnishing of the return or where no return is furnished, ending on the date of completion of the assessment under section 115WJ. The interest shall be charged on the amount of fringe benefit tax determined under sub-section (1) of section 115WE or on regular assessment as reduced by the advance tax paid under section 115WJ. The provisions contained in the said new section 115WL relating to interest for default in furnishing return of fringe benefits are broadly on the lines of section 234A of the Income-tax Act.

The proposed new section 115WL relates to application of other provisions of the Income-tax Act. It, inter alia, provides that save as otherwise provided in Chapter XII-H and all other provisions of the Income-tax Act shall apply in relation to fringe benefits.

This amendment will take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-

# Explanation Memorandum

proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 46 seeks to amend section 153B of the Income-tax Act relating to time-limit for completion of assessment under section 153A.

Clause (a) and clause (b) of the said section 153B confer power upon the Assessing Officer to make an order of assessment or reassessment of total income of six assessment years preceding the assessment year relevant to the previous year in which search is conducted or requisition is made, within a period of two years from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was exercised.

The time-limit provided in the aforesaid clause (a) and clause (b) is also applicable for making assessment or reassessment in case of other person referred to in section 153C. It is proposed to insert a proviso to sub-section (1) of the said section 153B so as to provide that in case of such other person, the time limit for making assessment or reassessment of total income of the assessment years referred to in clause (a) and clause (b) of said sub-section, shall be the time limit of two years from the end of the financial year in which the last of authorisation for search under section 132 or for requisition under section 132A was exercised or one year from the end of the financial year in which books of account or documents or assets seized or requisitioned are handed over under section 153C to the Assessing Officer having jurisdiction over such other person, whichever is later.

This amendment will take effect retrospectively from 1<sup>st</sup> June, 2003 and will, accordingly, apply in relation to a search initiated under section 132 or in relation to books of account, other documents or any assets requisitioned under section 132A after 1<sup>st</sup> June, 2003.

Clause 47 seeks to amend section 153C of the Income-tax Act relating to assessment of income of any other person.

Under the existing provisions of section 153A, where the Assessing Officer is satisfied that books of account or documents or assets referred to in section 132A belong to a person other than a person in whose case search under section 132 or requisition under section 132A was made, he shall handover the same to the Assessing Officer having jurisdiction over such other person and that Assessing Officer shall proceed against such other person under section 153A.

It is proposed to amend the said section so as to provide that in case of such other person, the reference to the date of handing over section 132 or requisition under section 132A shall be construed as reference to the date of receiving the books of account or documents or assets seized or requisitioned by the Assessing Officer having jurisdiction over such other person.

It is further proposed to insert a new sub-section (2) so as to provide that for assessment year relevant to the previous year in which search is conducted or requisition is made, no notice under sub-section (1) of section 142 has been issued to him, or (b) a return of income has been furnished by such person but no notice under sub-section (2) of section 143 has been served and limitation of serving the notice under sub-section (1) of section 143 has expired or reassessment or assessment of income has been made before the date of receiving the books of account or documents or assets seized or requisitioned by the Assessing Officer having jurisdiction over such other person, such Assessing Officer shall issue the notice and assess or reassess total income of such other person for such assessment year in the manner provided in section 153A.

The provisions of proposed new sub-section (2) shall apply to books of account or documents or assets seized or requisitioned referred to in sub-section (1) has been received by the Assessing Officer having jurisdiction over such other person after the due date for furnishing the return of income for the assessment year relevant to the previous year in which search is conducted under section 132 or requisition is made under section 132A.

This amendment will take effect retrospectively from 1<sup>st</sup> June, 2003 and will, accordingly, apply in relation to a search initiated under section 132 or in relation to books of account, other documents or any assets requisitioned under section 132A after 1<sup>st</sup> June, 2003.

Clause 48 seeks to amend section 194A of the Income-tax Act relating to interest other than "interest on securities".

The existing provisions of sub-section (3) of the said section provide that the provisions of sub-section (1) of the said section shall apply to interest on securities. It is proposed to amend the said section so as to provide that the provisions of sub-section (1) shall not be applicable in respect of income paid or payable on a zero coupon bond issued by an infrastructure capital company or infrastructure capital fund or public sector company on or after 1<sup>st</sup> June, 2005. It is also proposed to amend the Explanation to sub-section (3) so as to provide that "infrastructure capital company" and "infrastructure capital fund" shall have the same meanings respectively assigned to them in clause (a) and clause (b) of Explanation 1 to clause (23G) of section 10.

This amendment will take effect from 1<sup>st</sup> June, 2005.

Clause 49 seeks to amend section 194C of the Income-tax Act relating to deduction of tax at source on payments to contractors and sub-contractors.

The existing provisions contained in clause (i) of sub-section (3) of the said section provides that no deduction of tax shall be made under sub-section (1) or sub-section (2) of the aforesaid section where the amount of any sum credited or paid or likely to be credited or paid to the contractor or sub-contractor, if the sum so credited or paid does not exceed twenty thousand rupees. However, where the aggregate of amounts of such sums credited or paid or likely to be credited or paid, during the financial year exceeds fifty thousand rupees, the person responsible for paying such sums referred to in sub-section (1) or, as the case may be, sub-section (2) shall be deemed to be liable to deduct tax at source under sub-section (1).

It is proposed to amend the said clause (i) so as to provide that deduction of tax at source shall not be made on the amount of any sum credited or paid or likely to be credited or paid, during the course of business of plying, hiring or leasing goods carriages, to a sub-contractor being an individual and not owning more than two goods carriages, at any time during the previous year. Such sub-contractor shall not be required to furnish a declaration as may be prescribed to the person paying or crediting such sum. The person responsible for making payment to the sub-contractor shall also furnish to the prescribed income-tax authority or to the persons authorised by such authority, the prescribed particulars in the prescribed form and within the prescribed time.

This amendment will take effect from 1<sup>st</sup> June, 2005.

Clause 50 seeks to amend section 199 relating to credit for tax deducted.

Under the existing provisions contained in sub-section (3) of the said section, the amount of tax deducted on or after 1<sup>st</sup> April, 2005, and paid to the credit of the Central Government and specified in the statement referred to in section 231A shall be treated as tax paid on behalf of the assessee in case where income amount of tax has been deducted and credit is given to him in the assessment without the production of certificate.

The proposed amendment seeks to provide that the credit for the amount of tax deducted and paid to the Central Government shall also be allowed on the basis of a certificate of deduction of tax furnished in respect of tax deducted on or after 1<sup>st</sup> April, 2005 and before 1<sup>st</sup> April, 2006.

This amendment will take effect from 1<sup>st</sup> April, 2005.

Clause 51 seeks to amend section 203 relating to certificate for tax.

Under the existing provisions contained in sub-section (3) there is no requirement to furnish a certificate referred to in sub-section (1) or sub-section (2) for the tax deducted or paid on or after 1<sup>st</sup> April, 2005 in accordance with the provisions of Chapter XVII.

It is proposed to extend the said date up to 1<sup>st</sup> April, 2006, to provide that in a case where tax has been deducted or paid on or after 1<sup>st</sup> April, 2006, there shall be no requirement to furnish the certificate of deduction of tax at source to the deductee.

This amendment will take effect from 1<sup>st</sup> April, 2006.

Clause 52 seeks to amend section 206A of the Income-tax Act relating to furnishing of quarterly return in respect of payment of interest to residents without deduction of tax.

The proposed amendment seeks to provide that the credit for the amount of tax deducted and paid to the Central Government shall also be allowed on the basis of a certificate of deduction of tax furnished in respect of tax deducted on or after 1<sup>st</sup> April, 2005 and before 1<sup>st</sup> April, 2006.

This amendment will take effect from 1<sup>st</sup> April, 2005.

Clause 53 seeks to amend section 203 relating to certificate for tax.

Under the existing provisions contained in sub-section (3) there is no requirement to furnish a certificate referred to in sub-section (1) or sub-section (2) for the tax deducted or paid on or after 1<sup>st</sup> April, 2005 in accordance with the provisions of Chapter XVII.

It is proposed to extend the said date up to 1<sup>st</sup> April, 2006, to provide that in a case where tax has been deducted or paid on or after 1<sup>st</sup> April, 2006, there shall be no requirement to furnish the certificate of deduction of tax at source to the deductee.

This amendment will take effect from 1<sup>st</sup> April, 2006.

Clause 54 seeks to amend section 206A of the Income-tax Act relating to furnishing of quarterly return in respect of payment of interest to residents without deduction of tax.

The proposed amendment seeks to provide that the credit for the amount of tax deducted and paid to the Central Government shall also be allowed on the basis of a certificate of deduction of tax furnished in respect of tax deducted on or after 1<sup>st</sup> April, 2005 and before 1<sup>st</sup> April, 2006.

This amendment will take effect from 1<sup>st</sup> April, 2005.

Clause 55 seeks to amend section 206B relating to profits and gains from the business of trading in alcoholic liquor, forest produce, scrap, etc.

Under the existing provisions contained in the proviso to sub-section (4) of the said section the credit for the amount of tax deducted and paid to the person on whose behalf tax has been collected on or after 1<sup>st</sup> April, 2005 on the basis of the amount specified in the annual statement referred to in the second proviso to sub-section (5) of the aforesaid section and a certificate of collection of tax is not required to be produced along with the return of income for claiming credit for tax collected at source. The first proviso to sub-section (5) of section 206C does not require the tax collector to furnish a certificate to the collector for taxes collected on or after 1<sup>st</sup> April, 2005.

The proposed amendment seeks to extend the date to 1<sup>st</sup> April, 2006 to provide that a certificate of collection of tax is not required to be produced along with the return of income for claiming credit for tax collected at source in the assessment year commencing on or after 1<sup>st</sup> April, 2006, no requirement of furnishing a certificate by the collector in respect of taxes collected on or after 1<sup>st</sup> April, 2006.

This amendment will take effect from 1<sup>st</sup> April, 2006.

Clause 56 seeks to amend section 238 of the Income-tax Act relating to the person entitled to claim refund in certain cases.

The existing provisions of the said section, *inter alia*, provide that where the income of one person is included under any provision of this Act in the total income of any other person, the latter alone shall be entitled to a refund in respect of such income.

It is proposed to amend the said section so as to provide that where the value of fringe benefits provided or deemed to have been provided by any employer, is included in the value of fringe benefits provided or deemed to have been provided by any other employer, the latter alone shall be entitled to a refund in respect of such fringe benefits.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 57 seeks to amend section 246A of the Income-tax Act relating to appealable orders before Commissioner (Appeals).

The existing provisions contained in the said section, *inter alia*, provide for appeal by an assessee to the Commissioner (Appeals) in respect of orders issued under sections 143(3), 147, etc., of the Act.

It is proposed to insert two new clauses (aa) and (ab) in sub-section (1) of the said section so as to provide for appeal by the assessee, being an employer, against the value of fringe benefits assessed in an order of assessment under sub-section (3) of the proposed new section 115WE or 115WF or an order of assessment or reassessment under section 115WG.

It is further proposed to amend sub-clause (B) of clause (j) in sub-section (1) of the said section so as to include a reference to an order under the new section 271FB.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 58 seeks to amend section 271 of the Income-tax Act relating to the failure to furnish returns, comply with notices, concealment of income, etc.

Under the existing provisions contained in sub-section (1) of the said section, if the Assessing Officer or the Commissioner (Appeals), in the course of any proceedings under the Act, is satisfied that any person has failed to comply with a notice under sub-section (1) of section 142 or sub-section (2) of section 143 or fails to comply with a direction issued under sub-section (2A) of section 142 of the Act, he may direct that such person shall pay by way of penalty, in addition to any tax payable by him, a sum which shall not be less than ten thousand rupees for each such failure.

It is proposed to amend the said section so as to include a reference to sub-section (2) of the proposed new section 271I and sub-section (2) of the proposed new section 271J and provide that any references in section 271 to income shall be construed as references to the income or fringe benefits, as far as may be, and the provisions of the said section shall apply in relation to any assessment in respect of fringe benefits also.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 59 of the Bill seeks to insert a new section 271FB of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WD, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 60 of the Bill seeks to insert a new section 271FC of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WE, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 61 of the Bill seeks to insert a new section 271FD of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WF, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 62 of the Bill seeks to insert a new section 271FE of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WG, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 63 of the Bill seeks to insert a new section 271FF of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WD, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 64 of the Bill seeks to insert a new section 271FG of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WE, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 65 of the Bill seeks to insert a new section 271FH of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WF, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 66 of the Bill seeks to insert a new section 271FI of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WG, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 67 of the Bill seeks to insert a new section 271FJ of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WD, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 68 of the Bill seeks to insert a new section 271FK of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WE, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 69 of the Bill seeks to insert a new section 271FL of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WF, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 70 of the Bill seeks to insert a new section 271FM of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WG, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 71 of the Bill seeks to insert a new section 271FN of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WD, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 72 of the Bill seeks to insert a new section 271FO of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WE, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 73 of the Bill seeks to insert a new section 271FP of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WF, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 74 of the Bill seeks to insert a new section 271FQ of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WG, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 75 of the Bill seeks to insert a new section 271FR of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WD, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 76 of the Bill seeks to insert a new section 271FS of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WE, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 77 of the Bill seeks to insert a new section 271FT of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WF, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 78 of the Bill seeks to insert a new section 271FU of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WG, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

These amendments will take effect from 1<sup>st</sup> April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007



## Tsunami effect on S&T budget

NEW DELHI, Feb. 28. — The budgetary allocation for the ocean development department under the science and technology ministry is Rs 377 crores — a 64 per cent hike from the previous financial year's Rs 230 crores. This was expected, feel the observers, what with almost a lakh citizens killed in the catastrophic tsunami of 26 December, 2004. The expensive but indispensable tsunami warning systems can thus be acquired, and further research be carried out. Announcing an immediate relief of Rs 3,645 crore for the tsunami victims, finance minister, Mr Chidambaram said the Planning Commission would come out with a comprehensive package of Rs 10,216 crore for the

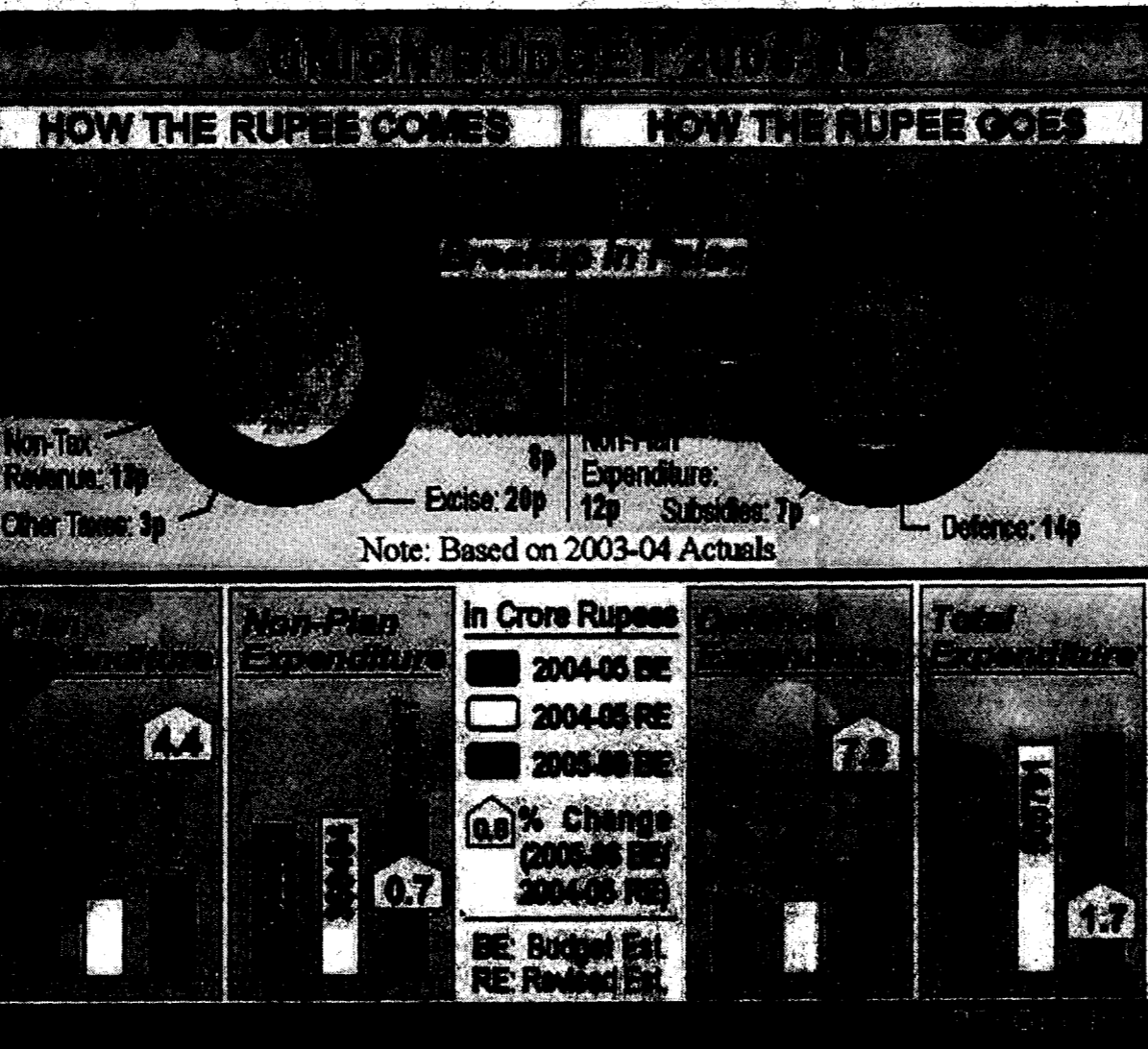
## Life After Tsunami

tsunami-affected families. Altogether Rs 20 crore of the entire allocation will go into the acquisition and development of the warning systems; and another Rs 25 crore is for ocean-data programme. Though science and technology has been invited a fair share of attention of all recent finance minister, what sets the 2005-06 budget apart, is the priority the ministry gets this time over some other departments — earlier considered more 'important'. The total allocation has now gone up to Rs 16,361 crore, as against last year's Rs 13,147 crore — an increase of nearly 25 per cent. The allocation for space research had also gone up by 24 per cent. The Indian Institute of Science — Bangalore is, this time, getting Rs 100 crores as a distinct allocation; aiming to turning it into a world-class university.

## Jarring notes and a smokescreen

Bhavatosh Singh  
in New Delhi

Feb. 28. — This budget will not be music to many ears. The jarring notes of remix videos a la *Kaanta lagaa* appear to have annoyed the finance minister too as they have been dragged into the tax net. And disc jockeys will henceforth have to pay a service tax of 10 per cent. From tomorrow when you puff away do remember that you are helping the health sector even if a passive smoker doesn't think so. According to Mr P Chidambaram, "what better way is there to fund health care than tax those goods which are health hazards?" Cigarettes are now expensive. But what

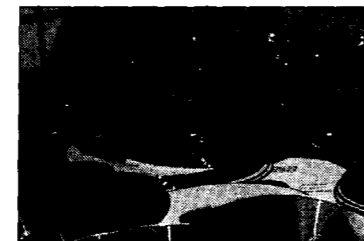


## Budget with a human face: Congress

NEW DELHI, Feb. 28. — The Congress today paid glowing tributes to the party-led UPA government's first full-fledged Budget for 2005-06, saying it will accelerate all-round development besides ensuring "social justice and equity". "The Budget confirms the sincerity of the Manmohan Singh government's commitment to the pledges made for the empowerment and welfare of the common people in its national common minimum programme (NCMP)," said the Congress spokesman Anand Sharma. He said the Budget addresses squarely the priorities of the Congress and its UPA allies — rural India, farmers, labourers and unemployed youth. Patting its own government's back, the Congress said the Budget unleashes an "attack on poverty and unemployment". The Congress expressed the hope that the Budget will again establish "the UPA government's credibility" among the farmers and labourers, common people, poor, and suppressed and vulnerable people.

## Propagandist & weak on truth: BJP

NEW DELHI, Feb. 28. — The BJP today described the UPA's second budget as "propagandist and weak on truth". It is shorn of new ideas coming as it does "from a lawyer and not from a finance minister", the party said. Condemning the proposal to impose 0.1 per cent on every withdrawal of Rs 10,000 per day in cash from banks, the former finance minister, Mr Jaswant Singh, described the step as "nipping which would needlessly trouble citizens. This is pitiful." The BJP leader, Mr Vijay Kumar Malhotra, said the taxation proposals would not benefit the salaried class although it would benefit others. Senior citizens would lose Rs 33,000 under the new scheme, he said while pointing out that earlier they enjoyed tax freedom upto Rs 1.83 lakh after including savings and standard deductions. Mr Singh objected to 50 p c on petrol saying the NDA-imposed cess of Rs 1 for highway construction must have piled up since the UPA did not push the project with the same vigour.



about those who consume gutka and pan masala? With *gutka* kings allegedly hobnobbing with the D-company the government has decided to impose a surcharge of 10 per cent on the product. But the *aam aadmi* has nothing to worry as *beedis* have been exempted from a price hike. Think twice before you apply for a club membership as it's

now covered under service tax. Similarly, you might have to pay more for that flat you had been eyeing for a long time as construction of residential complex or apartments will see imposition of 10 per cent tax. Even in troubled times when jobs are scarce, Mr P Chidambaram has dragged manpower firms offering temporary jobs under the tax net. For Gen-X summer jobs will be tough to come by. The salaried class should rejoice as there will be no taxes up to Rs one lakh and 10 per cent would be levied on income over Rs one lakh- Rs 1.5 lakh. However chances of getting rebates would be difficult as standard reductions have been removed.

The salaried class should rejoice as there will be no taxes up to Rs one lakh and 10 per cent would be levied on income over Rs one lakh- Rs 1.5 lakh. However chances of getting rebates would be difficult as standard reductions have been removed.

## 'Ok to push Rs 9,990 but not Rs 10 more'

### VIEW FROM THE GALLERY

# Budget 2005

Feb. 28. — A purported bid to curb black money earned Mr P Chidambaram the political version of a black eye in the Lok Sabha today. While the Opposition ridiculed, and vehemently objected to his proposal to impose a tax on cash withdrawals of Rs 10,000 or more a day, the silence from the treasury benches pointed to a displeasure that for obvious reasons could not be expressed.

Few members appeared enthused by the theory that passive cash withdrawals facilitated further generation of black money and comments like "who keeps black money in the bank", "we will be taxed for using our own money", and "it is okay to push Rs 9,990 more

into the parallel economy but not ten rupees more" were heard both in and outside the chamber.

The Speaker was quick to crack down on a bid to disrupt the finance minister, for Mr Chidambaram's pleas to be heard fully cut little ice. Yet from the manner in which Mr Somnath Chatterjee reminded members that they could oppose and vote down the proposal on a subsequent occasion it was clear that he too was not terribly impressed.

Budget Day, supposedly is the finance minister's day in the sun but that black money flap apart, Mr Chidambaram raised little steam in the Lok Sabha. Maybe more careful reading of his budget, or reading between the lines, will trigger off strong views or reactions, the ambi-

ence in the House was one of indifference. The expected fireworks over the alleged "budget leak" did not go off. At the portico and the Gandhi statue some members sat in protest over other issues but none of that was carried into the chamber.

Proceedings commenced with the victors of two by-elections in Uttar Pradesh taking their oath. Then Mr George Fernandes (JD-U) and Mr VK Malhotra (BJP) referred to Dr Manmohan Singh's letter to Mrs Sonia Gandhi. The Speaker said that notices

## More jobs coming?

NEW DELHI, Feb. 28. —

Job creation seems has been declared as the underlying theme for this year's allocation of the Union Budget. The ten per cent education cess levied last year remains — even as government has proposed another cess for national rural health mission from levies on tobacco-related products.

The government seems to be confident on employment generation, with the scheme on increasing irrigation supply alone supposed to employ another one crore people. This is equivalent to a rate of increase of one person per hectare for the scheme which hopes to bring assured irrigation facilities to an additional one crore hectares.

Similarly, there is hope that another 1.2 crore jobs will be created over the next five years in the textile industry, following the lapse of global textile quo-

## Outstanding, says PM

NEW DELHI, Feb. 28. — Prime Minister Manmohan Singh today described the General Budget as "outstanding" and strongly defended the proposal to tax bank withdrawals above Rs 10,000 a day to unearth black money. Mr Chidambaram has done an outstanding job. He deserves all credit. He has produced a Budget which measures up to the challenges of our times," the Prime Minister said. — SNS

tas and slashing on duties in imported textile machinery. Then India's "miracle" industry of information technology is also slated to give jobs to 70 lakh by 2009.

Finance minister, Mr P Chidambaram also said that the food for work programme will be converted into the national rural employment guarantee scheme — a pet scheme in the National Common Minimum Programme. He

indirectly admitted that money has not found any money for the scheme, but he promised to do so.

Meanwhile, the expenditure on the food for work has been more than doubled. During the current year, the overall allocation was Rs 4,020 crore, which has increased Rs 11,000 crore. Two schemes for children have got their allocations in the budget tripled. The Integrated Child Development Services, which covers the Anganwadi system, has been increased to Rs 3,142 crore. The mid-day meal scheme in schools has also been given higher allocation to Rs 3,010 crore.

The Sarva Siksha Abhiyan, which is basic education scheme, has been increased to Rs 7,156 crore in 2005-6 from Rs 4,754 crore. Overall, the education allocation in 2005-06 will be 18,337 crore. Following it will be rural development — a favourite theme of NCMP — at Rs 18,337 crore.

## Petrol cess from April

NEW DELHI, Feb. 28. — Consumers who were expecting that their petrol

the decrease in international crude oil prices, today received a shock. Instead of bringing down fuel prices, the finance minister, Mr P Chidambaram, kept the door open for an increase of petrol and diesel prices in the near future.

Prices will not go up now, but consumers should be ready for a hike from April as government has increased excise duty. It is also imposing a cess on petrol and diesel in its budget proposal. The cess of Rs 0.50 per litre will be passed on to consumers from April. The excise duty increase will kick



in if international crude oil prices rise. According to estimates, Rs 30 crore goes to oil marketing companies (OMCs) every day because crude oil prices have fallen in the international market but prices here have not come down.

The OMCs and the government have been saying prices would come down after the budget. For, the government would restructure the petrol pricing mechanism. Instead, the finance minister increased the cess and excise duty.



FM ALL OVER: Scene at a TV shop in Kolkata on Monday. — PTI

## Up in smoke

Feb. 28. — Is the government really concerned about the health of its people? It doesn't seem so when the Centre in its annual budget today imposed a surcharge of 10 per cent on cigarettes and other tobacco products but excluded *beedis* of any

A senior official in the Union health ministry admitted that the government was abstaining from making any tougher stand on *beedi* as its smokers are the actual "vote bank" unlike cigarette smokers. Also cigarette and *gutka* manufacturing is an organised syndicate unlike *beedi*. Cigarette smokers are baffled by this lopsided approach of the Centre.

Over 67 per cent of men and 19 per cent of women — largely from rural areas — smoke *beedis* manufactured in domestic set-ups across the country while cigarette smokers account for only 16 per cent. A senior member of the Indian Medical Association, Dr Arun Prakash, said *beedi* has more nicotine content than cigarettes.

## BRIEFS

**Special package for fiscal 2005-06.** An allocation of Rs 9,308 crore has been made for North-eastern region, while another Rs 450 crore has been allocated as a special package for highway development in the region by the Union finance minister Mr P Chidambaram today. — SNS

**Equity support to PSUs.** NEW DELHI, Feb. 28. — The government would provide an equity support of Rs 14,040 crore and loans of Rs 3,554 crore to Central public sector enterprises, including the railways, finance minister Mr P Chidambaram today announced. — PTI

## Mumbai as financial hub

NEW DELHI, Feb. 28. — Finance minister Mr P Chidambaram today pledged to make Mumbai a regional financial hub and proposed in his Budget speech to appoint a high-powered expert committee to advise the government. — PTI

## AITPA happy

MUMBAI, Feb. 28. — The All India Employees Tax Payers' Association today said the finance minister's decision to increase income tax exemption limit from Rs 50,000 to Rs 1,00,000 was "illusion". — SNS

## NR(E), NRI accounts

NEW DELHI, Feb. 28. — In a major benefit to NRIs, Finance minister Mr P Chidambaram today extended tax exemption on interest in Non-Resident (external) Account and on interest payable by a scheduled bank to Non-Resident Indians. — PTI

## Gold to make inroad

NEW DELHI, Feb. 28. — Far from the traditional perception that the yellow metal, in its glorious form, is an asset for the rainy day, gold will become a highly liquid and tradeable commodity as finance minister Mr P Chidambaram today paved the way for Rs 1,30,000 crore mutual fund industry to trade in it. — PTI

# Politically Correct?

51-8

Feb 2005  
Half done isn't well begun 1/3

A pro-reform, pro-industry Budget, and an effort to please his political boss Sonia Gandhi. That's what was expected of P Chidambaram and he's gone some considerable way in fulfilling at least part of the charter. But given that we were told this was the finance minister's first 'full' Budget for the UPA, the lingering feeling is of a job barely half done. And that may not be well begun.

But let us be charitable and examine, first up, Chidambaram's attempt to address the plight of the salaried classes, by way of restructuring the income-tax bracket, a move he says is aimed at reducing the income-tax burden. In the process, however, he has withdrawn benefits of tax rebates on which depended people's motivation and propensity to save. What the finance minister is saying, in effect, is that what many consider the basic means of capital formation in India — household savings — is not really an option if you want to accumulate wealth; for you should look at the capital market. The latter is not a bad *a priori* assumption provided the minister follows through, and the Left lets him. At any rate, the Kelkar Committee report on tax reforms lives again! It is clear that Chidambaram did away with exemptions to reduce the government's strain on the capital receipts front, and the figures bear testimony — the finance minister has set a Rs 40,000 crore lower target under this head. As for the capital markets, the surge in the Sensex is a combination of the drop in corporate tax, relief that reforms haven't been rolled back and the expectation that those looking to invest money will head towards the bourses.

The less said about the move to slap a tax on cash withdrawals of Rs 10,000 and more on a single day the better; it would be an exercise in inane manoeuvring to try and figure out exactly how the minister believes this would arrest the growth of a black economy. Suffice to say, banks are sure to be smacking their lips in anticipation — thinking of hiking cheque-book replacement charges and introducing a service tax for providing several million more withdrawal slips — given that nobody in his or her right mind is likely to withdraw more than Rs 9,999 at one go!

For Sonia Gandhi, delivered as promised; also very politically correct. The finance minister has increased the gross budgetary support by 16.9 per cent, announcing significant outlays for education, rural development, health and infrastructure. Leakages and faulty delivery mechanisms be damned: Common Minimum Programme or lowest common denominator, depending on where you stand, is where we are at. That expenditure for the National Advisory Council headed by Sonia Gandhi and listed together with the Prime Minister's Office has been increased by Rs 1.73 crore from Rs 14.59 crore last year, is only par for this particular course.

As for foreign direct investment, Chidambaram seems to believe — much like the rest of the thinking world — that the Left has no arguments left on this score. The service tax net is broadened to such an extent that the government expects an additional revenue of more than Rs 3000 crore under this head. And the projected GDP growth rate has, as one of its components, agriculture as a poor contributor, while the services sector tops the list with industry coming second. The focus, therefore, is more on industry and that's apparent in the slew of reductions in customs and excise duties.

Though direct taxes would fetch an additional Rs 6,000 crore — indicated in a single sentence — indirect taxes will probably be largely revenue neutral. The finance minister needs to tread the fiscal path cautiously as he will have to adhere to norms laid down in the Fiscal Responsibility and Budget Management Act. The Budget has set the revenue deficit target at 2.7 per cent of GDP and the fiscal deficit target at 4.3 per cent of GDP. To achieve these targets, politically correct PC, as it were, will have to be downright rude when it comes to turning down demands for sops if he goes and curbs borrowings. As the Prime Minister adds — the Finance Minister has worked very hard! That is the sum of what can be said about this Budget.

01 MAR 2005

THE STATESMAN

# Sensex vaults 144 points as investors hail the budget

By Oommen A. Ninan

**MUMBAI, FEB. 28.** The Finance Minister P. Chidambaram embarked on a 'growth and equity' oriented budget and the markets reacted overwhelmingly with the Bombay Stock Exchange 30-share Sensex increasing by 144 points. "Mr. Chidambaram has played to the gallery in so far as the capital market is concerned. The market was relieved that the securities transaction tax (STT) has just been given a minor touch. One of the reasons for today's rally is: since the market was expecting a higher STT, with FII's being permitted to offer collaterals other than cash for futures and options trades the volumes in the derivative segment is expected to go up considerably," said V. R. Srinivasan of Brics Securities. The Sensex

closed up 144.14 points or 2.19 per cent at 6713.86 and the NSE Nifty closed 42.35 points up or 2.05 per cent at 2103.25. The markets have also opened on a positive note ahead of the budget as Sensex was up by 18.85 points at 6588.57 and the Nifty 6.55 points at 2067.45.

The budget for the fiscal year 2005-06 was positive, with an emphasis on rural development, education, job creation, and infrastructure growth, thus paving the way for a higher growth rate of gross domestic product (GDP) over the medium to long term, according to S. Naganath, President and Chief Investment Officer, DSP Merrill Lynch. The budget proposed a substantial tax reduction for lower-bracket taxpayers, thus potentially boosting domestic consumption, where consumer-related

sectors such as housing, consumer durables and the like have contributed significantly to incremental GDP growth over the past 2-3 years. The reduction in corporate income-tax will also add to the profitability of the corporate sector. "We expect interest rates and inflation to remain largely range-bound through calendar year 2005, and expect equities to do well over the medium to long term, driven by strong macroeconomic fundamentals, robust corporate earnings growth, a sustained interest by FIIs and greater participation by domestic investors," said Mr. Naganath. FII investment into India should increase, given the country's potential to maintain a GDP growth rate of around 7-8 per cent against a backdrop of moderating to slower economic growth in many parts of the world. After a record \$8.5 billion net inflow from FIIs in calendar year 2004, equally sizable net inflows for calendar year 2005 can be expected.

"The budget presented by the Finance Minister continued with the theme of encouraging a buoyant investment climate and in improving employment generation. The budget clearly focuses on upgrading both the urban and rural infrastructure," felt A. K. Sridhar, Chief Investment Officer, UTI Mutual Fund. There are many positives for the capital markets, the most important being the commitment to develop the corpo-



**Stockbrokers celebrate in their dealing room in Mumbai on Monday. The Sensex closed at a record high of 6713.86 after the Finance Minister announced the budget proposals. The earlier peak of 6679.33 was touched on February 14.** — AFP

rate debt markets. What stands out in the budget is the Finance Minister's progressives moves towards rationalisation of the tax structure in both direct and indirect taxes, widening the tax base and simplification of processes for tax administration. These

changes should result in greater tax compliance and an increase in disposable incomes on an aggregate level and spur consumption spending by consumers. Rationalisation of personal income tax slabs along with scrapping the deductions under Sections 88 and 80L, and

bringing all deductions under one overall ceiling of the new Section 80C with Rs. 1 lakh limit is a significant step forward. These measures will bring in long-term money into the capital market with a greater participation by domestic retail investors as well. "Overall

we feel that the budget continues with broad reforms that are necessary for propelling and sustaining Indian growth rate in the 8 per cent per annum range," Mr. Sridhar added.

## Rupee ends stronger

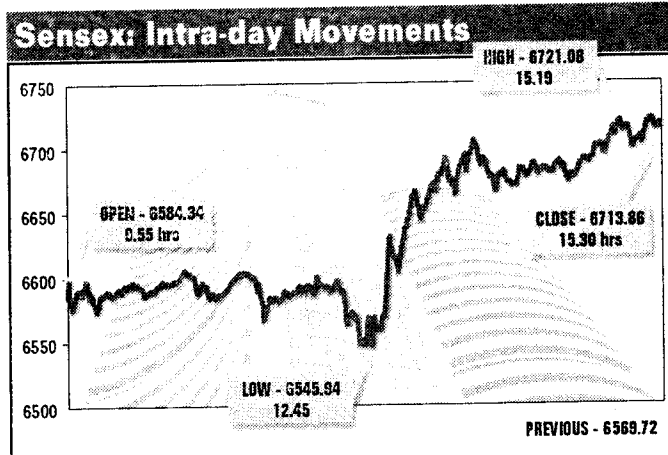
**MUMBAI, FEB. 28.** The rupee, showing a muted reaction to the Union Budget, ended five paise stronger against the U.S. currency at 43.6750/6850 on a bunched up weekend dollar inflows and subdued import demand.

Opening on a firm note at 43.67/70 on strong trade and foreign fund inflows, the rupee further rose to a high of 43.61/62 in intra-day trade, before ending at 43.6750/6850, five paise stronger than its weekend close of 43.7250/7350, a senior dealer at Development Credit Bank said.

Unlike the stock markets, the forex market remained nearly unmoved on budget announcements and showed a muted reaction, dealers said. There were strong inflows from foreign funds and exporters while import demand remained subdued after players covered their month-end requirements, they added.

With the forex market more or less controlled by the Reserve Bank of India, which is sitting with a record forex reserve of over \$132 billion, it could contain any volatility both ways, players felt.

The RBI today fixed the reference rate for dollar at Rs. 43.64, five paise lower than last Friday's Rs. 43.69. — UNI



## The budget and the financial sector

By C. R. L. Narasimhan

**CHENNAI, FEB. 28.** The financial sector comprising banking, insurance and the capital market is one sector where previous reform measures have made a visible impact. Besides, for reasons that have not been fully substantiated, the stock market's behaviour during and immediately after a Finance Minister's speech on budget day is taken as early indicator of the budget's success or failure. For these reasons at least, the Finance Minister of the day was always expected to devote time to the financial sector in his budget speech as well as in the fiscal proposals.

How has the financial sector fared in this year's budget? Articulating the recent policy measures contemplated for banking, the Finance Minister said on Monday that a roadmap for banking sector reforms would be unveiled by the Reserve Bank of India which can

implement most of the measures on its own. However, some legislative measures will be necessary. The Finance Minister also announced new legislative initiatives to make the statutory pre-emptions in banks — SLR and CRR — more flexible. This way the RBI could impart greater liquidity to the market if it wants to.

With the time-bound change-over (by March 31, 2007) by Indian banks to the Basel II capital adequacy norms, the budget inevitably makes a reference to the tasks on hand. Banks will have to bolster their capital base while the supervisory regime will have to be improved. The budget contemplates legislative and other measures to allow banks to issue preference shares which, under specified conditions, can be treated as regulatory capital under the new Basel norms. For better supervision of banks and their subsidiaries specific measures in line with the best interna-

tional practices will be introduced. The insurance sector received only cursory mention although the Finance Minister did speak of popularising micro insurance. However, the new pensions scheme that offers a variety of options to the subscriber was commended.

The capital market figured in many ways. While the securities transactions tax has been marked up for certain categories (apparently without much pain to the stock market), greater significance is attached to the measures intended to popularise derivatives and the bond market. Foreign institutional investors (FIIs) will be permitted to bring in collateral when trading in derivatives.

One has to wait for the rules to be framed by the SEBI. However, even if it is optional, seeking a collateral will naturally reduce the return to the FII. The Finance Minister has promised to remove the legal ambiguities that have stood in the way of

over-the-counter (OTC) derivatives becoming more popular. OTC derivatives are customised, risk mitigating instruments, popular in the developed markets.

The debt segment of the capital market has received plenty of attention.

Legislative measures to expand the definition of securities to provide a legal framework for trading in securitised debt has been promised. When that happens the sporadic securitisation deals involving, say, home loans or car finance receivables will get a boost. In effect a huge secondary market will be created for retail loan products that are now provided by banks and non-banking finance companies.

Investors will have an attractive option to place funds but the most significant impact will be on both sides of a financial institution's balance sheet. After securitising one tranche of retail loans a home loan finance

company will have the wherewithal to lend more. An expert committee will be appointed to look into the corporate bond market in its entirety and suggest measures for popularising it. The stamp duty on commercial paper is to be rationalised, making the issuance of this attractive short-term instrument more popular.

The proposal to introduce gold backed units is an idea whose time has come. With gold as the underlying asset mutual funds will be asked to market gold exchange traded funds. Over time it may be possible to extend the idea to the mainline banking system by allowing banks to have gold backed deposits.

A new training institute for the capital market under the aegis of the SEBI and a visionary statement to make Mumbai a regional finance hub are strictly outside the budget exercise but have major implications for the financial sector.

## RBI unveils roadmap for presence of foreign banks

By Our Special Correspondent

**MUMBAI, FEB. 28.** The Reserve Bank of India today released the roadmap for presence of foreign banks in India and guidelines on ownership and governance in private sector banks. The Finance Minister, P. Chidambaram, today in his budget speech announced that the "RBI has prepared a roadmap for banking sector reforms and will unveil the same."

The Finance Minister has proposed to lift the cap on voting rights to facilitate foreign banks acquire 74 per cent stake in Indian private banks selected by the RBI.

The RBI in its road map for presence of foreign banks in India is divided into two phases. In the first phase, between March 2005 and March 2009, foreign banks will be permitted to establish presence by way of setting up a wholly owned subsidiary

(WOS) or conversion of the existing branches into a WOS.

The WOS will have a minimum capital requirement of Rs. 300 crores and will need to ensure sound corporate governance. The WOS will be treated on a par with the existing branches of foreign banks for branch expansion with flexibility to go beyond the existing WTO commitments of 12 branches in a year and preference for branch expansion in under-banked areas. The RBI may also prescribe market access and national treatment limitation consistent with WTO as also other appropriate limitations to the operations of WOS, consistent with international practices and the country's requirements.

During this phase, permission for acquisition of share holding in Indian private sector banks by eligible foreign banks will be limited to banks identified by

the RBI for restructuring. The RBI may if it is satisfied that such investment by the foreign bank concerned will be in the long term interest of all the stakeholders in the investee bank, permit such acquisition. Where such acquisition is by a foreign bank having presence in India, a maximum period of six months will be given for conforming to the 'one form of presence' concept.

The second phase will commence in April 2009 after a review of the experience gained and after due consultation with all the stakeholders in the banking sector. The review will examine issues concerning extension of national treatment to WOS, dilution of stake and permitting mergers/acquisitions of any private sector banks in India by a foreign bank in the second phase. The RBI has also now finalised the guidelines on ownership and governance.

## Growth-oriented and balanced budget, says industry

By P. K. Bhardwaj

**NEW DELHI, FEB. 28.** India Inc today generally lapped up the Union Budget 2005-06 as "growth-oriented" and "balanced" even as they had some reservations in relation to some of the proposals made by the Union Finance Minister, P. Chidambaram.

"The proposals to enhance the competitiveness of manufacturing sector, reform of customs and excise duties are positive. The 'Bharat Nirman' is a thought provoking and constructive futuristic plan" was the commonly shared response of the captains of the Indian industry while they saw the real challenge being in ensuring fiscal discipline and seamless delivery systems.

Describing it as a balanced budget focused on growth and social justice, they said that the

fundamental aim of this Government seemed to further the reform process and foundation for it has been laid down.

The Confederation of Indian Industry President, Sunil Munjal, said, "Overall it is a good budget. The announcements made are in the right direction and in line with the expectations, but the proposal of levying Rs. 10 on withdrawal of over Rs. 10,000 on a single day seems impractical."

The Federation of Indian Chambers of Commerce and Industry President, Onkar Kanwar, welcomed the cuts in corporate tax and the budget's focus on infrastructure and rural development. He and the PHDCCI chief, K. M. Memani, said the budget was a "blueprint for resurgent India."

"This is not a dream budget, but overall a good one," was the reaction of the Associated Cham-

bers of Commerce and Industry President, M. K. Sanghi, who observed that the measures announced for the rural sector, infrastructure, creation of jobs are positive steps. However, more is required on the personal income tax front where the exemption should have been raised to Rs. 2 lakhs, he felt.

Like Mr. Kant, Mr. Sanghi said that the move to tax withdrawal exceeding Rs. 10,000 per day seemed to have not been discussed properly. It would only increase paper work for the taxpayer and the Government, he said.

The CII chief mentor, Tarun Das, said, "We are on a good wicket as far as the economy is concerned, and reforms are on track. There are several positives and it is difficult to find negatives."

Anand Mahindra of Mahindra

& Mahindra said, "I am comfortable with the budget. We are on the right track and the Finance Minister has not done anything to break the momentum of growth."

Similarly, the Maruti Udyog Managing Director, Jagdish Khattar, said, "It is a good budget and a forward looking one." "Focus on employment is a welcome step. Bharat Nirman is a step in the right direction," is what Bharti Televentures head, Sunil Mittal, had to say.

Rajiv Karwal of Electrolux India said the reduction of excise duty on air-conditioners from 24 per cent to 16 per cent would help bring down the prices of the product between Rs. 500 and Rs. 1,500. This would also help imports, he said.

On relief provided to the textile sector, Naishad Parikh of Arvind Mills, said, "The 10 per cent

textile subsidy is a positive step though some direction in amending labour laws would have been welcome." However, the budget meets only 70 per cent of the requirements of the textile sector, he added.

Naina Lal Kidwai of HSBC Bank said, "It is disappointing that the setting up of so many commissions has been proposed. Hopefully, these will come out with concrete proposals."

Vinayak Chatterjee of Feedback Ventures hailed the budget as a step in the right direction for laying emphasis on the manufacturing sector as envisaged in Bharat Nirman programme.

Anjan Bose of Philips Medical Systems said, "I have mixed feelings about the Budget. While higher allocation for the health-care sector is a good development, it needs to be seen how the

innovative idea of taxing health hazards like cigarettes would be utilised to improve the overall sector." Decisions such as setting up six AIMS like institutes and increasing allocation of Rs. 30 crores for health insurance for weavers was a positive step, he added.

The Rasna Managing Director, Piraj Khambatta, expressed his disappointment. He said, "I expected the budget to give a big boost to the food processing industry which it has not."

Manvender Singh of Ranbaxy said, "It is a balanced budget though it does not hold much for the pharma sector. It all depends on implementation."

The Indian Tea Plantation President, C. K. Dhanuka, hailed the removal of additional excise duty on tea and said the modification of duty structure would benefit the structure.

## What the budget means for taxpayers

By S. Rajaratnam

**CHENNAI, FEB. 28.** Taxpayers' apprehensions about the impact of the promised 'tax reforms' have fortunately not materialised. Accepting suggestions from various quarters including the persistent one from the late N. A. Palkhivala, the Finance Minister has decided to delink the 'reforms' from the annual Finance Bill which, therefore, is confined mostly to with financial proposals with some innovative provisions that could have awaited the promised reforms.

### Personal taxation

The exemption limit is now raised for all to Rs. 1 lakh with the minimum taxable slab being revised from Rs. 1.01 lakhs to Rs. 1.50 lakhs at 10 per cent, Rs. 1.51 lakhs to Rs. 2.50 lakhs at 20 per cent and for those above Rs. 2.50 lakhs at 30 per cent so that there is an around reduction. Marginal relief is also provided.

Tax relief for women and senior citizens is substituted by increases in the basic exemption income to Rs. 1.25

lakhs and Rs. 1.50 lakhs in the place of tax rebate of Rs. 5,000 and Rs. 20,000 respectively now available. The proposed withdrawal of tax rebate will be less than the tax saved by the increased limit for most taxpayers, but then the enlargement of the basic exemption and the revision of the slabs will put every taxpayer in a better position. However, the effect for each person will depend on the benefit he was deriving under various reliefs by way of deduction under Section 80L and rebate under Section 88 both of which are now substituted by a single maximum deduction of Rs. 1 lakh, which has been described as deduction for thrift by the Finance Minister. But it encompasses largely government savings instruments, mutual funds and insurance hitherto available under Section 88. Those who were deriving the maximum benefit under both the two sections may find the new system to their disadvantage but the overall effect may still be favourable.

The surcharge limit in the

case of individuals and Hindu Undivided Families will apply for incomes over Rs. 10 lakhs as against Rs. 8.50 lakhs at present, while education cess at 2 per cent on the tax payable including surcharge will continue.

The salaried class may find that the loss of standard deduction will take away the benefit of tax reduction to some extent, but this will not put them in a worse position.

### Corporate taxation

There are quite a few changes in corporate taxation. The tax rate is proposed to be reduced from 35 per cent with surcharge of 2.5 per cent to 30 per cent in tax rate but with an increased surcharge of 10 per cent. But then the effective rate for manufacturing companies may go up because of the proposed reduction in general rate of depreciation from 25 per cent to 15 per cent. However, depreciation is only a staggered deduction, so that what is reduced gets merely postponed. There is comfort in the reintroduction of initial depreciation at

20 per cent on new plant and machinery installed during the year in addition to the normal depreciation in the place of additional depreciation linked with increase in productivity. The corporate sector should feel gratified by the acceptance of the alternative request for revival of MAT credit against statutory tax payable in a later year avoiding thereby the double taxation.

The apprehended withdrawal of exemptions has not materialised in the Bill, but the Finance Minister has stated that he will be constituting an expert committee to review the exemptions so that there is no immediate threat of their withdrawal.

There will be considerable regret over the new tax on fringe benefits made more complicated, as it will place a burden on the taxpayer for compliance and on Revenue for enforcement. This measure along with the other innovative tax at 0.1 per cent on cash withdrawals from banks exceeding Rs. 10,000 per day should merit review. (The author is a tax consultant)

# New tax treatment of savings

By C.R.L. Narasimhan

CHENNAI, FEB. 28. One of the most noticeable features of the budget has been the rationalisation of the tax treatment of savings.

Currently, under various sections of the Income Tax Act, individual tax payers get varying benefits linked to the following aspects of the savings schemes: the contributions made to the savings scheme, the tax levied on accumulations and on maturity. Some savings plans are exempted from tax at all stages, while others are subject to tax on either the accumulations or payments on maturity.

The latest budget proposes far reaching changes by doing away with the distortions caused by the differential tax treatments of the several savings schemes. It signals a move towards the best international practice of taxing financial savings under what is called the EET (exempt-exempt-tax) method.

Under this, contributions to specified savings will be exempt from tax (E), accumulation will also be exempt (E) but withdrawals, including benefits, will be taxed (T).

This philosophy will govern future tax treatment of all tax savings schemes. As of now, only the tax treatment under Section 80CCC of the IT Act (allowing a deduction of up to Rs. 10,000 to an individual who buys a pension-linked annuity from Life Insurance Corpora-

(in Rs)

## Impact of the tax rate change

Taxable Income	Existing tax liability	New tax liability
50,000	Nil	Nil
55,000	Nil	Nil
60,000	Nil	Nil
75,000	Nil	Nil
1,00,000	Nil	Nil
1,50,000	19,380	5,100
2,00,000	34,680	15,300
3,00,000	65,280	40,800
5,00,000	1,26,480	1,02,000
7,50,000	2,02,980	1,78,500
8,00,000	2,18,280	1,93,800
8,50,000	2,33,580	2,09,100
8,55,000	2,38,680	2,10,630
10,00,000	3,07,428	2,55,000

tion or other insurers) is in conformity with the EET rule. Both the initial contribution and the accumulation are not taxed but the maturity proceeds or benefits are subject to tax.

The new pension scheme announced for Central Government employees has similar tax treatment under Section 80 CCD.

For the saving community, there are major implications

from the withdrawal of Section 80L and Section 88 benefits.

Section 80L allows a deduction from the gross total income of an individual of any income by way of interest from Government securities, National Savings Certificate and other savings schemes, interest on bank deposits subject to a limit of Rs. 12,000 (an additional Rs. 3,000 is allowed for interest on Government securities).

Section 88 provides for a deduction from the tax payable on total income of an individual (or HUF) at a fixed percentage of contributions made to specified schemes that include life insurance premia, provident fund contributions, NSC, infrastructure bonds and so on.

There are various sub-limits and tax rebates depending upon the taxpayer's total taxable income. The tax rebate is currently not available to those having a taxable annual income of more than Rs. 5 lakhs.

In a major rationalisation move, the budget does away with both Section 88 and Section 80 L and introduces a new Section 80C.

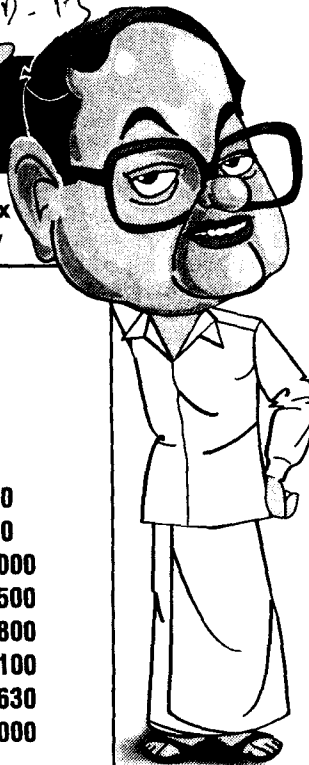
Under the new Section, an individual will be allowed a deduction of an amount not exceeding Rs. 1 lakh by investing it in specified schemes.

For the present, these schemes are the same as those that qualify for a rebate under Section 88, including repayment of principal amount of housing loans.

There shall be no sectoral caps and an individual is free to invest the entire amount of one lakh in any scheme or schemes of his choice.

Incidentally, assessee having an income of over Rs. 5 lakhs will also qualify for tax rebate under the new section.

A new Section 80 CCE has been added to provide that the aggregate amount of deductions under 80C, 80 CCC and 80 CCD shall not exceed Rs. 1 lakh.



## EXPECTATIONS MET IN FAIR MEASURE

IF EXPECTATIONS FROM Mr. P. Chidambaram's second budget were rather high, he seems to have met them in a fair, even if not full, measure. On the one hand were the imperatives of the United Progressive Alliance's mandate that called for much more of direct action to redress mass poverty and deprivation characterised not just by low income, but also by illiteracy, ill health, and unemployment. On the other was the need to push growth on to a higher plane of 7 to 8 per cent through tax cuts and reforms. In the event, perhaps because the economy is coasting along at a 6.9 per cent growth rate this year, the Finance Minister has chosen to meet more of the expectations in the social sector through substantial increases in the outlays for employment, education, and health. The stimulus for industrial growth has been either selective for specific industries or has been in the form of simplification and rationalisation of tax laws. In coming out with higher social sector outlays, meeting the new burden imposed by the recommendations of the Twelfth Finance Commission that call for devolving more funds to the States, and managing to do both with little additional taxation, the Finance Minister was pushing at the limits of prudence and has had to put fiscal consolidation on hold.

It would perhaps be an exaggeration to term the budget proposals a new deal for rural India, but the outlays for employment, education, health, and water supply for the rural areas have been stepped up substantially. The national rural employment guarantee scheme assuring 100 days of employment in a year for an adult member of every rural family was the most far-reaching of the programmes offered by the UPA in its National Common Minimum Programme. A national rural employment guarantee bill has been introduced in Parliament, and if one were looking to Mr. Chidambaram to announce an adequate funding level for this scheme, he has come out with a commitment of sorts and announced the intention to convert the food for work programme introduced in 150 districts in the last budget into the national rural employment guarantee scheme. This announcement is supported by a substantial increase in the allocation for the programme — from Rs.4020 crore in the current year to Rs.11,000 crore — and a promise to find all the money needed when the new programme is rolled out. One hopes the bill imposing an obligation on the state to provide employment will be passed and a programme that will make a great deal of difference to the rural poor put into operation without delay.

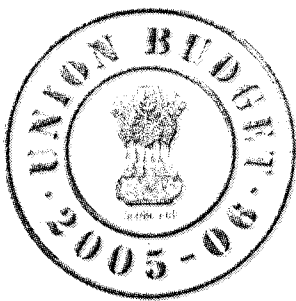
While the employment scheme is ameliorative in nature, critical areas of human development including basic education, health, sanitation, housing, and rural water supply have also been allotted higher funding. The Sarva Siksha Abhiyan providing for basic education is to get Rs.7,156 crore as against Rs.3,057 crore in the last budget, and likewise the outlay for the national drinking water mission will go up from Rs.3,300 crore to Rs.4,750 crore. A national rural health mission is to be launched, and the Antyodaya Anna Yojana for people below the poverty line and the mid-day meal scheme for school children are to be extended substantially. In contrast to these programmes, the task of building up the agricultural and rural infrastructure gets some, but not quite enough, attention. While the potential for employment in food processing and rural industries is recognised, it is more in the nature of a hope and is not matched by adequate funding. Substantial reforms have been promised though in the area of agricultural credit to provide easier access for the farmers and other borrowers.

In the area of taxes, the emphasis has been on rationalising the rates and the tax structures

and bringing in a simpler and non-distorting regime with fewer slabs, lower rates, and minimal exemptions. The move towards an East Asian level of customs tariffs continues, with the peak import duty cut from 20 to 15 per cent, and the duty on capital goods used in industries such as textiles, information technology, and telecommunications reduced to encourage investment. Excise duties too are being rationalised and few commodities other than cigarettes and tobacco products have come in for higher levies. To widen the tax base, the practice of extending the coverage of the 10 per cent service tax to more areas continues. Following the thrust of the Kelkar committee recommendations, the income tax rates have been reduced, with a marginal rate of 30 per cent and a surcharge of 10 per cent to apply beyond Rs.10 lakh, and the plethora of exemptions for savings replaced by a single consolidated exemption of Rs.1 lakh. Likewise, the corporate tax rate has been brought down from 35 to 30 per cent even as the surcharge has been raised from 5 to 10 per cent in line with the marginal personal income tax rate. While the effective reduction in the corporate tax rate by 3.75 percentage points should benefit all companies as should the reduction in the import duties on several capital goods, the cut in the depreciation allowance from 25 to 15 per cent may prove particularly burdensome for those who have invested substantial amounts in expansion.

Apparently drawing a lesson from last year's budget when higher foreign direct investment limits were announced in insurance, telecommunications, and civil aviation but ran into opposition from the Left, Mr. Chidambaram has this year chosen to announce his intention to start a dialogue on FDI in mining, retail trade, and managing pension funds rather than announce a firm decision. Addressing the Left, he held out China as the example, pointing out that it had received \$500 billion in FDI since opening up its economy in 1980, \$60 billion of that in the calendar year 2004. Yet getting a broad agreement on allowing FDI in mining and retail trade is going to take long and hard bargaining and the Finance Minister has been careful not to let this issue be turned into a test of the Government's ability to push reforms through. Of the other difficult reform areas where action was suggested in the pre-budget economic survey, the question of labour laws has been left untouched while for infrastructure, an innovative special purpose vehicle that would borrow from the market has been announced to fund projects.

One area where the budget has slipped is fiscal consolidation — and it has not held to the course promised in the last budget. It is quite understandable that with the demands for funds for the social sector and with the additional transfers to be made to the States under the recommendations of the Twelfth Finance Commission, the budget should fall short of the deficit reduction targets, the revenue deficit for next year remaining at 2.7 per cent of the GDP, the same as the current year's, and the fiscal deficit showing just a marginal decline from 4.4 to 4.3 per cent. Binding deficit reduction goals have been built into the Fiscal Responsibility and Budget Management Act to restrain the government of the day from acting irresponsibly and also to meet the expectations of the market for a stable macroeconomic environment. The rationale behind such a binding legislative mandate is bound to be questioned now both by those who have been sceptical of the Government's resolve to go by the targets and by others who would not want government's freedom and discretion to frame fiscal policy curbed by the law. Such doubts will of course be removed if the budget gets back on course a year later, the present situation being regarded as extraordinary, warranting a departure from the targets.



## CHIDAMBARAM'S VISION FOR RURAL INDIA

# Growth with equity

No tax for income up to Rs. 1 lakh

Standard deduction goes

Transaction tax on securities up

More services come under tax net

Allocation for defence raised to Rs. 83,000 crore

Antyodaya Anna Yojana to cover more families

Rural Health Mission planned

Sanitation campaign to cover all districts

Food-for-work scheme gets Rs. 11,000 crore

Allocation for mid-day meals, education up



All the engines of the economy are running at nearly full speed

P. Chidambaram

### DIRECT TAXES

- Income between Rs. 1 lakh-1.5 lakhs to be taxed at 10 %
- 20% tax on income between Rs. 1.5 lakhs and Rs. 2.5 lakhs
- 30 % tax for income above Rs. 2.5 lakhs
- Income up to Rs. 1.5 lakhs exempt for senior citizens
- Tax exemption up to Rs. 1.25 lakhs for women
- No rebate under section 88. Section 80 L goes
- 30 % tax on fringe benefits. Conveyance, canteen expenses exempted
- Corporate tax at 30 %, surcharge at 10 %
- 10 % surcharge on taxable income above Rs. 10 lakhs
- Tax on cash withdrawals over Rs. 10,000 a day

### INDIRECT TAXES

- Surcharge on tea goes, no excise on refined edible oil and vanaspati
- 2 % excise duty on branded jewellery
- Excise duty on imitation jewellery cut to 8 %
- Excise duty on tyres, A/Cs, polyester filament yarn cut
- Excise duty on mosaic tiles at 8 %
- Specific duty on cement clinkers and molasses up
- Excise duty on non-farm tractors
- Customs duty on select capital goods, parts cut
- Customs duty on textile machinery import slashed
- Hand-made matches fully exempted from excise duty.

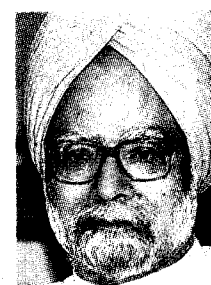
### REFORM MEASURES

- RBI Act to be amended
- Changes in Banking Regulation Act coming
- Mutual Funds to introduce Gold Exchange Traded Funds
- New law to improve environment for SMEs
- 108 items identified for deservation
- Farm procurement to be decentralised
- Working group to vet new pricing for fertilizer
- Move to make Mumbai a regional financial hub
- Panel to suggest steps to popularise corporate bond market and securitisation
- Reserve Bank prepares road map for foreign banks' presence

### NEW PROPOSALS

- Backward Regions Grant Fund set up
- Bharat Nirman to be a business plan
- Package to nurse sick sugar mills back to health
- Cluster approach to help handloom units
- Capital subsidy for textile processing industry
- Fellowships for SCs / STs to pursue M.Phil and Ph.D
- New scheme to beef up farm marketing infrastructure
- Greater role for NGOs in micro-finance field
- Expert panel to examine price stabilisation fund for plantation sector
- RBI to study agency model for banks to provide agricultural credit

### REACTIONS



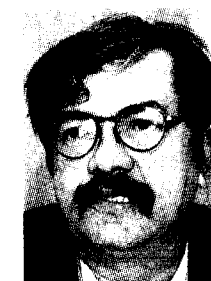
"Mr. Chidambaram has done a good job. He deserves all credit. He has produced a budget which measures up to the challenges of our times."

Mamohan Singh  
Prime Minister



"Uninspiring and lacking in boldness... Mr. Chidambaram's attempt to play safe has dampened expectations."

L.K. Advani  
BJP leader



"We had sought more allocation for social sectors and the budget provides it though not to the extent we had asked for."

Niluper Bawa  
CPI(M) leader

Graphics by Varghese Kallada

### IN BRIEF

#### 110 killed in Iraq

HILLA (IRAQ), FEB. 28. One hundred and ten people were killed and scores wounded in a car bombing on Monday outside a medical centre in Hilla, south of Baghdad, a fire officer said. — AFP

— Details on Page 16

#### Goa Speaker, Deputy resign

PANAJI, FEB. 28. In a dramatic turn of events, the Goa Assembly Speaker and his deputy today resigned from their posts before the Chief Minister, Pratapsinh Rane, could move his motion of vote of confidence, leaving the game of numbers delicately balanced.

— PTI

— Details on Page 13

#### It's "Million Dollar Baby"

HOLLYWOOD, FEB. 28. Clint Eastwood's boxing drama "Million Dollar Baby" on Sunday beat Martin Scorsese's "The Aviator" to win the coveted best picture and best director Oscars. It also won Hilary Swank the best actress Oscar as well as a best supporting actor Oscar for veteran Morgan Freeman. — AFP

— Details on Page 8

#### Paswan to meet Sonia

PATNA, FEB. 28. The Lok Jan Shakti party chief, Ram Vilas Paswan, today said he would be meeting the Congress president, Sonia Gandhi, separately tomorrow. He would convey his party's stand on the scenario in Bihar.

— PTI

— Details on Page 13

#### SPORT

● Pakistan cricket team arrives — Page 23

#### DELHI

● Buddies to fight it out for 'Indian Idol' — Page 2

## Substantial income tax relief

By Ashok Dasgupta

NEW DELHI, FEB. 28. In a well-tailored but politically measured exercise, the Finance Minister, P. Chidambaram, on Monday not only managed to fulfil the 'rural India' mission objectives enunciated in the National Common Minimum Programme but also extended the fiscal spurs necessary to drive various sectors such as textiles, sugar, pharmaceuticals and small-medium enterprises to catapult the economy on to a new growth path.

At the same time, Mr. Chidambaram, while presenting the budget for 2005-06 in the Lok Sabha, took care to warm the cockles of the hearts of the salaried class and other income-tax payers by granting them substantial relief, doing away with all the major exemptions in one stroke even while casting his net wider to garner larger resources through higher tax compliance and vigorous collections. He also noted that the States, starting April 1, would implement the Value Added Tax scheme in lieu of sales tax.

#### Cheque economy

Instead of introducing an amnesty scheme to mop up black money, the Minister sought to make a beginning by imposing a banking transaction tax of Rs. 10 on cash withdrawals of over Rs. 10,000 in a single day. This, he said, was not to

mop up revenue but to introduce the system of "cheque economy." Another ready segment available to Mr. Chidambaram for tapping was the services sector. And considering that services currently account for over 52 per cent of the country's gross domestic product (GDP), he sought to add nine more sectors while extending the scope of service tax on certain existing services already in the list. Among the nine services to be roped in for the new fiscal are piped transport of goods, including gas and water, site formation, demolition, membership fees of clubs and associations, packaging and specialised mailing services, survey and map-making services, dredging services in rivers and harbours, cleaning services for commercial buildings and construction of planned residential complexes with more than 12 dwelling units by builders.

#### Removal of exemptions

Taking the cue from the Kelkar Committee report, Mr. Chidambaram imbibed the suggestion of tax slab rationalisation and removal of exemptions in the direct tax segment while reducing the customs duties to gradually bring them down to Asean levels. On the excise front, while granting selective relief to certain sections, he sought to revamp the duty structure in such a way that most items attract a duty of 16

per cent instead of the current eight or 24 per cent. While the direct tax proposals are expected to mop up Rs. 6,000 crores in a full year, the rationalisation of indirect taxes is expected to be revenue neutral.

Explaining the change at a press conference later, he said the revenue neutrality in the oil sector would depend on the current level of imports at the current international prices. "If the consumption and the prices in the international market go up, it will turn revenue positive; if they go down, it will be negative," he said. Perhaps, the reason for the duty tinkering is to relieve the oil companies of the burden while the revenue to the Government — either as customs or excise mop-up — currently remains the same.

#### Securities transaction tax

Mr. Chidambaram has taken care to provide adequate funds for various social sector schemes such as education, health and drinking water as well as the national plan for renewal of urban cities and the 'Bharat Nirman' programme. For the health plan, the required funds are sought to be mopped up from the higher impost on cigarettes and other tobacco products. For this, barring the companies engaged in this business, no one is going to shed a tear. He also increased the securities transaction tax on day traders on the bourses from

0.015 per cent to 0.2 per cent to mop up Rs. 130-140 crores a month as compared to the Rs. 100 crores at present.

He, however, did not reduce the subsidy bill for the new fiscal in either food or fertilizers, despite the prescription in the Economic Survey to switch a part of it to funding irrigation. Neither does the budget offer much on foreign direct investment except noting that the issue required a pragmatic view. There is also a deafening silence on the issue of disinvestment, which Mr. Chidambaram explained as owing to the fact that it was not linked to the Budget.

The Budget estimates for 2005-06 put the total expenditure at Rs. 5,14,344 crores while the revenue receipts and revenue expenditure are put at Rs. 3,51,200 crores and Rs. 4,46,512 crores. As a result, the revenue deficit works out to Rs. 95,312 crores or 2.7 per cent of the GDP while the fiscal deficit works out to Rs. 1,51,144 crores or 4.3 per cent of the estimated GDP. Mr. Chidambaram explained the "pause" in lowering fiscal deficit to the fall-out of the 12th Finance Commission recommendations and promised to correct it by 2006-07 and achieve the FRBM Act goals by 2008-09.

Budget speech text on our website: [www.thehindu.com](http://www.thehindu.com)  
Editorial on Page 10  
More reports on Pages 11, 12, 13

## Levy on bank withdrawal draws fire

NEW DELHI, FEB. 28. The Opposition broke out in an uproar over the Union Finance Minister, P. Chidambaram's announcement today in his budget speech that withdrawal of Rs. 10,000 from a

bank in a single day would be subject to a levy of 0.1 per cent tax, that is Rs. 10.

"It is not acceptable... it is too much," some Opposition members got up to say. Even Treasury

Bench members were seen murmuring in disagreement. Mr. Chidambaram sought to justify the step, saying it was aimed to put a check on the operation of black money. —UNI

## Cigarettes will be costlier, tea cheaper

NEW DELHI, FEB. 28. Branded jewellery, cigarette and other tobacco products and mosaic tiles will cost more. But unbranded imitation jewellery, tea, vanaspati, refined edible oil, match box, textiles, garments, footwear, tyres and air-conditioners will cost less, according to the proposals in the budget for 2005-06 presented to the Lok Sabha by the Finance Minister, P. Chidambaram.

The 16 per cent excise duty on imitation jewellery would be reduced to six per cent. At the same time, expensive and premium jewellery, sold under alluring brand names, would be levied an excise duty of two per cent. Mr. Chidambaram announced the abolition of the surcharge of Rs. 1 a kg on tea and an excise duty of Rs. 1 a kg on refined edible oils and Rs. 1.25 a kg on vanaspati.

Reducing the excise duty on matches made by mechanised and semi-mechanised sectors to 12 per cent from 16 per cent, he said the handmade matches were fully exempt from excise duty. He proposed an increase in the specific rate on cigarettes by about 10 per cent and a surcharge of 10 per cent on ad valorem duties on other tobacco products such as gutka, chewing tobacco, snuff and pan masala. —UNI

## Good Budget, says Sheila Dikshit

By Our Staff Reporter

NEW DELHI, FEB. 28. The Union Budget presented by Finance Minister P. Chidambaram in Parliament today has been, by and large, termed as a good budget by the political leadership in Delhi while the Opposition slammed it as pro-rich with nothing for the peasantry. The tax reforms coupled with provision of a new deal for rural India laying emphasis on "Bharat Nirman" has evoked a positive response among various sections.

Delhi Chief Minister Sheila Dikshit termed it as a good Budget with well thought out schemes for various categories. She applauded the provision of Rs. 5,500 crores for the National Urban Renewal Mission that would help Delhi in taking up

projects like elevated roads, High Capacity Bus System, Monorail and Integrated Rail Bus Transit system.

She also appreciated the focus on women and the extra cushion given to them in shape of income tax exemption limit. "The Budget addresses the basic issues relating to various problems facing the country and the attempt is to get over them and get things going in rural India also," she added.

Reacting to the Budget, the Member of Parliament from New Delhi, Ajay Maken, said it had come as a boon for the middle class and salaried class particularly the government employees. "Exemption of income tax limit up to Rs. 1 lakh for all, Rs. 1.25 lakhs for women and Rs. 1.50 lakhs for senior citi-

zens would help all the taxpayers. The consolidated limit of Rs. 1 lakh for savings that would be deducted from the income before tax is collected is also a big step. The exemption of small service providers up to income of Rs. 4 lakh per annum from the service tax net is also a big concession and gives relief to around 80 per cent of the people."

Applauding the formation of the National Urban Renewal Mission, Mr. Maken said this had thrown up a big opportunity to cities like Delhi to capitalise on the situation and get the best out of it. Referring to "Bharat Nirman" and giving a new deal to rural India, Mr. Maken said this consolidated the commitment made in the President's Address to Parliament

where he talked about making India shine for all sections.

The Delhi Pradesh Congress Committee president, Ram Babu Sharma, termed the Budget as development-oriented and aimed at generating growth and employment. He said the focus especially on rural India, farmers, women, students and senior citizens highlighted the concern of the Central Government for various sections of society. He also hailed the hike in exemption limit and the rephrasing of the tax net brackets that would benefit the upper and the lower middle class to a large extent. The special schemes for water supply, development of backward areas, upliftment of minorities, sanitation and health schemes were worth praising.