

BUDGET 2006 - 07

(PART - B)

1. Tax reforms and administrative reforms in the Government will continue to be a priority area. Since the last seven years, our Government has been following pro-people taxation policy aimed at overall socio-economic development in Delhi. This policy is essentially based on the all round promotion of prosperity and well-being of the common citizen of Delhi, mobilisation of needed resources for infrastructure development and welfare programmes, simplification and rationalisation of taxation system thereby making it people friendly and trade supportive. The growth in revenues have reinforced our belief that rationalisation and simplification of the tax laws and better tax administration, rather than simply increasing the tax rates, lead to better compliance and higher revenues.

2. First of all I take up VAT related matters.

Sir, Delhi successfully introduced and stabilised VAT with effect from 1st April, 2005. Contrary to all apprehensions about loss of revenue and trade diversion our VAT receipt have shown buoyant trend.

3. Sir, it is my privilege to share with this August House that transition to VAT was smoothest in Delhi and has been appreciated by the Empowered Committee of State Finance Ministers. Sir, introduction of VAT has helped in streamlining complicated procedures and reducing compliance costs for trade and industry without compromising on revenue collection. Sir, our Government is committed to simplification of tax procedure to ensure voluntary compliance and introduction of VAT reflects our commitment. The buoyancy the revenue receipt has shown indicate that not only the trade and industry has accepted VAT but there is commendable increase in voluntary compliance which is a welcome sign.

4. Sir, the successful introduction of VAT was made possible due to detailed deliberations with stakeholders and members of trade and industry and accommodating their constructive suggestions both about rate-structure and design of the Act. Sir, it is matter of pride that the Delhi VAT Act contains friendly provisions that have no parallel elsewhere. Ours is the only Act that provides for mandatory refund within one month, deemed disposal in case disputes are not resolved within eight months, half-yearly and annual return for small trader and friendly composition scheme for hard to tax sector like construction and building industry. Sir, I am happy to apprise the House that in Delhi so far we have processed more than that 97% of the refund claim received in time and distributed more than Rs.150 crores to dealers. We are the pioneers in making refund through Electronic Clearance System (ECS) so that dealers do not have to visit the department. Sir, successful introduction of VAT and unprecedented growth in revenue reflects sincere efforts of the officials of the Trade and Taxes Department. I complement them for the same.

5. Sir, taxing statute need not be frozen in time; they have to be dynamic so as to address the concern of trade and industry and implementation requirement of the Government. So far we have successfully addressed all the concerns of trade and industry and constraints faced by the department in implementing the Act. There are still some issues that need to be resolved and I intend to address them by introducing a Bill to amend the VAT Act. Sir, our aim is to let the VAT system stabilize and hence, it is the considered view of our Government not to go for piecemeal tinkering with the basic design structure. However, we are open to new ideas to simplify the tax system.

6. Sir, now I turn to my tax proposals. Sir, we have received several suggestions to rationalise the level of tax incidence by amending the Schedules under Delhi VAT Act so as to boost the growth of the economy and to protect the interest of common man.

7. Sir, almost every household in Delhi today uses Liquid Petroleum Gas (LPG) or Piped Natural Gas (PNG) and any change in rate of tax directly impacts the budget of the household. It is every house-wife's dream to save out of her domestic budget. I want to complement their effort by reducing the rate of tax on LPG and PNG to 4% by placing them in the Third Schedule of the DVAT Act. I am sure that housewives would appreciate this gesture of the Government.

8. Sir, it is the policy of our Government that minimum burden should be imposed on the poor and weaker section and accordingly I had, in the last budget, reduced the rate of tax on "Plastic Footwears including moulded plastic footwears, Hawaii Chappals and straps thereof" from 12.5% to 4%. Sir, I want to further reduce the burden on members of poor and weaker section by exempting "Rubber / Plastic / Rexine footwear having MRP less than Rs.300/- per pair provided that the MRP is indelibly marked or embossed on the footwear itself."

9. In the last Assembly Session, I had apprised the Members about introducing composition scheme for certain sectors and accordingly the Government had notified a composition scheme for construction and building. We have now received requests from their association that composition rate that was announced is very high, if compared to other States. We have given due consideration to their request and examined the scheme of other States. We propose to reduce the rates of composition tax to 3% in case goods are procured from outside Delhi provided no statutory forms under CST Act are used and 2.5% if all the goods are procured from within Delhi. Sir, the Government of India has amended the Central Sales Tax Act to enable the dealer to procure 'C' forms quarterly in advance for convenience of the dealers and to make our rules compliant with the CST Act, I propose to amend the CST Delhi Rules accordingly.

10. Sir, I am aware that small chemists are finding it difficult to maintain detailed records of their transactions in order to claim input tax credit under VAT. For the convenience of small chemists, I propose to introduce a composition scheme for all such dealers exclusively dealing in drugs and medicines and having a turnover of less than Rs.01 crore. These dealers will have to pay a composition tax @ 1% on their total turnover.

11. The neighbouring States of Rajasthan and Uttar Pradesh have reduced the effective rate of tax applicable on sale of bullion to less than 0.21% and as a result bullion trade has started shifting from Delhi. We have also received representations from bullion traders about diversion of trade. To prevent diversion of the trade I propose to announce a composition scheme for bullion traders under which they will pay tax @ 0.1% as against 1%.

12. Various hardware products that are basically inputs are taxable @ 4% but wire mesh and metal mesh are being taxed @ 12.5%, I intend to remove this anomaly and propose to reduce the rate of tax on these items from 12.5% to 4%. Uninterrupted power supply (UPS) are taxable @ 4% whereas inverter which is a similar product is taxable @ 12.5%. The differential treatment has led to misclassification and diversion of trade. I intend to correct the problem and hence, I propose to align the rate of tax on UPS and inverter so that both are taxed @ 4%. Sir, we have received representation from trade bodies about differential treatment of electrical goods in Delhi compared to other States. Sir, any deviation in rates adversely affects the distributive character of Delhi through trade diversion. The spirit agreed to by the Empowered Committee was that all such items which are industrial inputs should be taxed @ 4%. Accordingly, I intend to place electrical goods listed in Annexure-1 in the Third Schedule of the Act. Sir, Desi ghee is a major input for sweet and food industry and accordingly, I propose to place the item in the Third Schedule of the DVAT Act so that it can be taxed @ 4% instead of 12.5%.

13. Sir, we had notified that all industrial cable would be taxed @ 4% but the Entry industrial cables was not defined. To avoid any confusion I intend to clarify that the Entry industrial cables in Third Schedule shall cover all items covered by HSN Entry 8544.11, 20, 30, 41, 49, 51, 60, 70 excluding non-industrial cables and wires of 0.5 to 6 sq. m.meters meant for non-industrial use.

14. The various items in the Schedules of the DVAT Act contain HSN code against their names. In order to clear any doubt about interpretation I intend to clarify that where a four, six or eight digit code is mentioned in the Schedule it would cover all items falling under the code unless there is any specific exclusion prescribed for the same. I am sure it would clear doubts of trade and industry and help curb misclassification.

15. Sir, after detailed deliberation in the Empowered Committee of State Finance Ministers it was decided that tea should be taxed @ 4% and accordingly it is placed in the Third Schedule of the DVAT Act. However, coco producers and coffee manufacturers have been representing against this discrimination between tea and coffee which are close substitutes. The matter was discussed on many occasions in the Empowered Committee and the Committee left the decision on States. I feel that the grievance has substance and needs to be addressed. Accordingly, I propose to add coco and coffee including coffee beans in the Third Schedule of the DVAT Act.

16. Blood is an exempted item. Being a doctor, I am aware that blood is a scarce commodity which is divided into separate components and each component can be used separately as per the need of different patients. I, therefore, propose to include blood components in the relevant entry of the First Schedule of the Act so that blood components are also exempted from the payment of tax.

17. Sir, Thallasemic deserve all support and accordingly I propose to exempt Deferiprone and Desferrioxamine (desferal) drugs which are used for treatment of patients of Thalassemia from payment of tax by including them in the First Schedule to the Act.

18. I am fully conscious about the religious sentiments of the people of Delhi. Hawan is essentially carried out in most of the religious functions, I propose to exempt sale of Hawan Samagri from payment of tax.

19. There is confusion regarding entry "Aids and implementation used by handicapped persons", in the First Schedule of the Act as it is not clear that which equipment will be covered by this entry. I, therefore, propose to amend the First Schedule to give details of items being covered by this entry.

COLLECTION OF STAMP DUTY

20. Mr. Speaker Sir, the reduction in Stamp and Transfer Duties rate from 13% to 8% carried out by the Government has shown progressive increase in the collection of revenue. The department has collected Rs.673 crores on this account during the financial year 2004-05, as compared to Rs.452 crores during the financial year 2003-04.

The target for the financial year 2005-06 has been fixed at Rs.750 crores. The Government is already charging the reduced rate of 6% stamp and transfer duty on sale of immovable properties in the case of female registrants as against 8% from general registrants. Recently, the department has started charging stamp duty on General Power of Attorney (GPA) in cases where parties are not in blood relation to bring in further revenue.

21. The proposal of Government of India to dispense with the use of stamp paper by dematerialisation is under active consideration of our Government and we propose to introduce the same in the current financial year. We have

also started sale of judicial and non-judicial stamp papers through 30 branches of State Bank of India and the post office located in the Delhi High Court premises.

MCA - 21

22. Ministry of Company Affairs, Government of India has launched an e-Governance project titled as MCA - 21, object of which is to provide its core services such as registration of companies and other statutory compliances online to the corporate world and citizens. Our Government will facilitate the implementation of the new system of electronic payment of stamp duties to the Registrar of Companies, Delhi.

ENTERTAINMENT TAX

23. Mr. Speaker Sir, we are in the process of formulating an Entertainment Policy aimed at encouraging and facilitating the holding of national/international events and cultural performances with a view to create a lively, sporting and cultural environment for the benefit of the citizens of the city.

This would take cognizance of the wide diversities and cultural networks of all types and would give necessary impetus to the objectives of promoting cultural values and encouraging citizen's initiatives in the field.

24. Sir, I commend the budget for the consideration of the House.

ANNEXURE - 1

- (i) winding wires and strips.
- (ii) ammeter, KWH meter, voltmeter.
- (iii) insulating materials, insulator.
- (iv) jointing materials.
- (v) circuit breakers, HRC fuse, thermostat.
- (vi) electrical relays and single phasing preventor and timers.