

Honourable Speaker Sir,

The overall surplus as per Budget Estimates for the year 2007-2008, will be Rs. 329.58 crores.

In a complex scenario where the inflation rate is rising on the one hand and standards of living are changing on the other, it is no small a task to ensure that the burden of taxes does not increase on the common man and at the same time to ensure that adequate resources for continuing the direction and momentum of development are available. The State Government has experienced that desired results can be achieved by taking the citizens into confidence and promoting peoples' participation in the interest of the State. Given this noble purpose, in spite of continuous reduction made in tax rates during the last five years, growth of revenue receipts has been maintained. Good governance is characterized by systems that are rational, simple and transparent. Tax policies adopted and developed over a period of time had continued to add to the complications in the tax regime. This Government has taken up the enormous task of streamlining the tax structure to make it simple and transparent for the people, and we have succeeded to a large extent, in our efforts. Such tax reforms being people oriented have motivated people to pay taxes because they are aimed at their welfare. In the past, the common man used to feel the burden while paying taxes, but today there is sense of participation in the process of development amongst the tax payers.

Inspired by such warm and positive response from the people, this Government wants to increase the momentum of this

progressive approach further, in order to bring economic prosperity to the ordinary citizen. Owing to these steps, taken carefully one by one, the State economy has received an unprecedented boost. The economy has become strong, it has become progressive, it has become dynamic and it has become a source of sustenance for the common man. It has taken the State's economic stability to an unprecedented height.

With the approach to provide further momentum to the economy of Gujarat, I now present tax proposals for the year 2007-2008.

**Electricity
Duty**

It has been the approach of the State Government that the structure of the electricity duty becomes simple, rational and competitive. Honourable Speaker Sir, in line with this approach, our Government has abolished the tax on sale of electricity duty which was being levied for eighteen years from the people of Gujarat. The duty, which was being levied on farmers for twenty two years on use of electricity for the purpose of irrigation has also been abolished. Our Government has given a huge relief of Rs. 750 crores during last four years in the electricity duty only, by making the structure of electricity duty simple and rational. Continuing with the process of giving relief to the people of Gujarat, I propose to give further relief in the electricity duty.

**Relief to
residence,
recognised
educational
institutions
and hostels in
rural areas**

The present rate of electricity duty for residence, recognised educational institutions and hostels in the rural areas is 15%. To provide relief to the poor and marginalised people in rural areas and to promote educational activities in such areas, I propose to reduce the present rate from 15% to 10%. Approximately 13 lakh consumers will get relief by this reduction.

Relief to residence and recognised educational institutions in urban areas

The present rate of electricity duty for residence and recognised educational institutions in the urban areas is 30% for consumption of more than 40 units. I propose to reduce it to 20%. Accordingly, there will now be only one rate in this category of residence and recognised education institutions in the urban areas.

The reduction will give relief to 69 lakh consumers of ordinary and middle class as well as recognised education institutions in urban areas.

A total of 82 lakh consumers comprising 13 lakh consumers in rural areas, and 69 lakh consumers in urban areas will get a huge relief of Rs. 159 crores.

There are about one crore families in Gujarat. It is significant that 82 lakh consumers covering more than 80% of the people of Gujarat will together get such a huge benefit.

Consumers of residuary category

Residuary category of consumers, particularly small traders, small self-employed traders like vegetable shop-owners, xerox machine operators, STD PCO operators, tailors, hair cutting saloons, washermen (laundry owners) owners of *Pan* shops, groceries, cutlery provision stores, stationery, toys, hosiery, bookstall, small shops of milk products, cyber cafes, internet service providers, cable operators, research institutions, petrol pumps, gas stations, refilling plants, *Farsan* shops, water kiosks, pathology laboratories, godowns, private blood banks, hospitals, private hospitals, private libraries, cemeteries, private educational institutions etc. numbering about 13 lakhs consumers are included in this category.

The rate of electricity duty for consumers of this category has been 60% for many years. Showing special concern for the people of this category, our Government has gradually reduced the rate from 60% to 30%. I propose to reduce this rate further and make it 25%.

As a result of this reduction, about 13 lakh consumers of the residuary category will get relief of about Rs.53 crores.

**Hall,
auditorium,
theatre, hotel
and
restaurant**

In order to encourage the entertainment and tourism industries, I propose to reduce the rate applicable to both the categories i.e. hall, auditorium, theatre as well as hotel and restaurant from 30% to 25%. Due to the reduction, about 18000 consumers falling under both these categories will get relief to the tune of Rs. 11 crores.

Honourable Speaker Sir, due to the proposals of reduction in the rate of electricity duty in various categories above, about 95 lakh consumers will get relief of about Rs. 223 crores. Thus, our Government has, during a period of last five years, given a huge relief of Rs. 973 crores in the electricity duty only.

**Motor Vehicle
Tax**

The present structure for Motor Vehicle Tax exists since the time of formation of the State. The tax is levied on the basis of the type of fuel consumed by the vehicle, the price of the vehicle, the weight of the vehicle or the sitting capacity of the vehicle. Thus, for about 21 types and different categories of vehicles, 67 different tax rates and mechanisms for tax-collections exist at present. As a result, numerous administrative issues, as well as the issues related to tax-collection, arise.

To make the complex Motor Vehicle Tax structure simple, transparent and rational and also to facilitate tax payment, important changes are being considered by the Government. While redesigning the Motor Vehicle Tax structure, the Government is proposing to do away with fuel based classification of vehicles; levying tax on the sale price of the vehicle, and further simplifying the mechanism of collecting tax on the basis of weight or sitting capacity of the vehicle. Moreover, it has also been envisaged to provide the option of paying lump sum tax on vehicles falling under certain categories.

This restructuring will reduce the present 67 tax rates to mere 18, ensuring simplification of the Motor Vehicle Tax structure. Because of these reforms and also due to the provision of the option to pay lump sum tax on vehicles falling under certain categories, there will not be any significant change in revenues derived from the Motor Vehicle Tax.

A Bill proposing simplification in the Motor Vehicle Tax structure will be presented in the House during the current session.

Stamp Duty

Our Government has continuously attempted to simplify and rationalize the stamp duty structure with the objective of making the rate of stamp duty in the State more attractive and for encouraging the people to pay, resulting in a reduction in the tax burden on people. The total incidence of stamp duty at the maximum aggregate rate was 14.80 % upto 2002-2003. By continuously reducing this rate, our Government had brought the incidence to the level of only 5.95% during the year 2006-2007.

Gujarat is briskly moving towards urbanization. The poor and middleclass people have a dream to have a home of their own. In order that the dream of the common man is realised and it becomes possible and easy for him to have his own home, I propose to further reduce the current effective rate of stamp duty from 5.95% to 4.9%. As a result of this reduction, the poor and middle class people of the State will get a huge relief of about Rs. 126 crores.

**Relief in
Registration
Fees**

The incidence of Registration Fees on transfer of immovable property is presently 1.5 % of the amount of consideration. I propose to reduce the rate of Registration Fees from the present rate of 1.5% to 1% of the amount of consideration. As a result of the proposed reduction, the people of the State would get a relief of about Rs.47 crores.

**Entertainment
Tax**

With a view to encourage the entertainment industry, our Government has reduced the rate of entertainment tax from 50% to 25% during the year 2006-2007. In order that the cinema exhibition business is encouraged and the audience get better facilities, I propose to increase the amount of service charge available to the single screen cinemas, except the multiplex theatres availing the tax incentives, from Rs. 3 to Rs. 4 for the air conditioned and air cooled cinemas and from Rs.2 to Rs.3 for other cinemas. This benefit would be available only to single screen cinemas to ensure that they survive against the multiplex theatres.

The single screen cinemas will get an additional relief of Rs. 1 crore due to this proposal. The State Government's tax revenue from entertainment tax will get reduced to the extent of Rs.25 lakhs on this account.

By making necessary changes in the present provisions of interest rates, I propose to change the rate of simple interest from 24% upto 18% on the outstanding amount of entertainment tax.

Luxury Tax

It is necessary to encourage the hotel industry for further development of tourism industry. I, therefore, propose to reduce the rates of luxury tax as follows:

Sr. No.	Daily lodging charges per room	Occupancy	Present rate of luxury tax	Proposal
1	From Rs. 501 to Rs.2000 per room	On consolidated payment made on the basis of 50% occupancy as per the declared average tariff	5%	4%
2	Above Rs. 2001 per room	On consolidated payment made on the basis of 50% occupancy as per the declared average tariff or	8%	6%
		On payment on the basis of actual occupancy as per the declared tariff	12.5%	The present provision of 12.5% will continue.

Due to the proposed reduction in the luxury tax , the hotel industry will get a relief of about Rs. 2.40 crores.

By making necessary changes in the present provisions of levy of interest at the rate of 24% on outstanding amount of luxury tax for each month or part thereof , I propose to change the rate of simple interest from 24% upto 18%.

Conclusion

The final position of Budget Estimates for the year 2007-08 will be as under:

		(Rupees in crores)
<u>(1) Surplus as per Budget Estimates</u>		329. 58
<u>(2) Proposed relief in taxes</u>		
Electricity Duty	223.00	
Stamp Duty	126.00	
Registration Fees	47.00	
Entertainment Tax and Luxury Tax	4.00	
		400. 00
<u>(3) Estimated overall deficit</u>		70.42

Our attempts will be to reduce the estimated overall deficit through economy measures in the administration, effective recovery of Government revenues and reduction in the non developmental expenditure.

Jay Jay Garvi Gujarat

Jay Jay Nirmal Gujarat

I commend the Budget for the consideration of this august House.
