

Honourable Speaker Sir,

The overall deficit as per Budget Estimates for the year 2010-2011 is Rs.558.44 crores.

I now present tax proposals for the year 2010-2011.

Tax on tobacco

Tobacco and tobacco products like Bidi, Cigarette, Gutkha etc. are taxed in the State at the rate of 15% inclusive of additional tax, whereas the "unmanufactured tobacco" has been exempted.

Tobacco and its products are injurious to health. Prevention of its use and reduction in consumption of tobacco and its products is necessary in the interest of the society. Increase in rate of tax on these products helps in restricting the use of these products to some extent. With a view to achieve this objective, I propose to increase the rate of VAT on tobacco and its products from the present rate of 15% inclusive of additional tax to 20% inclusive of additional tax. The "unmanufactured tobacco" shall continue to remain exempted.

Value Added Tax

The Central Sales Tax(CST) is levied by the Central Government but the powers to collect and retain CST are vested in the State Government. The rate of Central Sales Tax(CST) was reduced by the Central Government from 4% to 3% w.e.f. 1/4/2007 and from 3% to 2% w.e.f. 1/6/2008. The State has suffered loss of thousands of crores of tax revenue due to this reduction.

The Central Government had agreed to pay compensation to the States for the losses on account of reduction in Central Sales Tax(CST). Accordingly, a formula was declared by the Central Government. But the States have suffered losses due to subsequent, unilateral changes made by the Central Government in the formula. Deficiencies in the original formula have not been corrected despite repeated representations. Further, the Central Government has not paid full compensation to the State as per the formula. More than Rs.2200 crores are yet to be paid by the Central Government to the State Government towards compensation.

Further, the Central Government has not taken any decision regarding payment of compensation for the year 2010-2011. The tax revenue of the State is adversely impacted due to this view of the Government of India. Advance planning has become necessary to ensure that the Development Programmes of the State are not adversely affected due to this reduction in tax revenue and consequent uncertainty so created relating to the tax revenue. In this context, to ensure adequate funds for the Development Programmes of the State, I propose the following:

As per the provisions of the VAT Act, a registered dealer is entitled to tax credit of the tax paid on local purchases when he sells goods. Present provisions allow tax credit of the tax paid on local purchases while making interstate sales. Similarly, tax credit of raw material is allowed when taxable manufactured goods are sold interstate. Thus, the tax credit is allowed on goods purchased from within the State at the applicable rate when goods are sold interstate.

I propose to reduce tax credit to the extent of 2% on purchases of goods made from within the State and used in interstate sales.

This proposal will be implemented with effect from 1/7/2010 and will be reconsidered by the State Government in case the Central Government decides to compensate for the losses of the Central Sales Tax(CST) revenue for the year 2010-2011. This proposal will not result in any additional tax burden on the people of the State.

Motor Vehicle Tax

The motor vehicle tax structure was simplified and rationalized earlier. To continue this process, I propose the following changes.

Lump-sum tax on goods vehicle

Tax can be paid in lump-sum or annually / six monthly on goods vehicles of 3 ton to 7.5 ton carrying capacity. Presently, most of the people pay tax annually / six monthly which results in repeated process of payment of tax and consequently, default of tax. In order to resolve such problems, I propose to levy lump-sum tax at the rate of 6% on this category of vehicles on compulsory basis. Old vehicles will be given rebate depending upon age of the vehicle.

Annual tax on maxicab

Tax is paid on monthly basis on maxicabs i.e. 6 to 12 seater passenger vehicles working as contract carriage. Due to this provision, vehicle owners are required to come to office frequently to pay tax and cases of default arise. In order to overcome these problems, I propose to levy tax on annual basis instead of monthly basis on this category of vehicles.

Custody of vehicles under non-use by banks

Farmers and weaker sections of people are given assistance to purchase vehicles by obtaining loans from banks in the State. Representations have been received that heavy tax burden is caused on banks whenever an occasion arises to take these vehicles back. In order to alleviate financial burden of institutions for the period such vehicles are kept in their custody without use, I propose to simplify the whole process considering this period as deemed non-use and exempt banks from payment of tax for the period the vehicle is kept in non-use.

Tax on resale of vehicles

Number of vehicles in the State are increasing at fast pace along with development of the State. Sales and purchases of old vehicles have also increased on a large scale along with new vehicles. I propose to levy a tax at the rate of 15% of original tax paid on resale of vehicles on which lump-sum tax is payable. Tractors used for agricultural purpose, auto rickshaws having carrying capacity upto 3 passengers and invalid carriage for the handicapped persons will be exempted from this tax.

Conclusion

The final position of Budget Estimates for the year 2010-2011 will be as under:

	(Rupees in crores)
(1) Deficit as per Budget Estimates	(-)558.44
(2) Proposed increase in taxes:	
Value Added Tax	700.00
Motor Vehicle Tax	30.00
Total	<u>730.00</u>
(3) Estimated overall surplus	(+)171.56

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