



B U D G E T

1999 - 2000

SPEECH OF
CHIEF MINISTER

Thiru M. KARUNANIDHI

Panguni 3, Thiruvalluvar Aandu 2030
17th March 1999

**Speech of Thiru M. Karunanidhi, Chief Minister, Government of
Tamilnadu, presenting the Budget for 1999-2000 to the
Legislative Assembly on 17th March 1999.**

Honourable Speaker Sir,

I present the Revised Estimates for 1998-99 and the Budget Estimates for 1999-2000 with the pledge that the D.M.K Government would untiringly continue to follow the path of Anna and strive for the establishment of true federalism by devolution of the powers concentrated at the Centre to the States, for the emergence of State autonomy, for all the national languages to obtain the status of official languages of the Union and for Tamil language to get this status in the first instance, for vesting with the respective States the authority to decide on the policy of reservation in consonance with the ideals of social justice of the Dravidian movement, for the progress of the poor, the downtrodden and the middle classes, for the protection of the minorities and for safeguarding social unity blended with communal harmony and humanism.

ECONOMIC DEVELOPMENT

2. Tamilnadu's economy in 1998-99, can be said to be in its growth phase as compared to 1997-98. The Gross State Domestic Product at 1993-94 prices is expected to register a growth of 6.78 percent this year as against a growth of 6.31 percent last year. The population below the poverty line in the rural areas has decreased from 32.48 percent in 1993-94 to 24.72 percent in 1997-98 and in the urban areas from 39.77 percent to 32.70 percent. The overall poverty ratio in Tamilnadu has declined from 35.03 percent to 27.58 percent.

FINANCIAL POSITION

147. When the current year's budget was presented to the House in March 1998, the estimate of revenue receipts was Rs.15039.46 crores and that of revenue expenditure was Rs.18048.04 crores. In the revised estimates for this year, revenue receipts have decreased to Rs.14198.52 crores and the revenue expenditure to Rs.17183.94 crores.

148. In the Budget Estimates for 1998-99, the overall deficit was estimated to be at Rs.876.67 crores. But in the revised estimates, this deficit has come down to Rs.235.73 crores.

149. In the Budget estimates for 1999-2000, the revenue receipts are estimated to be at Rs.15867.78 crores and revenue expenditure at Rs.18500.32 crores.

150. The overall deficit in respect of all accounts in the Budget estimates for 1999-2000 has increased to Rs.790.13 crores. It is essential to undertake suitable measures to bridge this deficit.

COMMERCIAL TAXES

151. If uniform tax rates are adopted by all States, it will be possible to encourage industry and trade and enhance the revenues of the States without competing on tax rates. Even though efforts have been made at All India level for this during the last few years, it has not been possible to arrive at a final decision on this issue. However, based on the principles set out above, it has become necessary to change the tax rates on many items in our State.

152. For the first time in the history of Tamil Nadu, pre-budget consultations were held with members of Chambers of Commerce and Industry and Trade Associations. After hearing their views and examining them in the light of the position in neighbouring Karnataka, the following changes are made in the tax rates:

- * Tax on computers and peripherals is reduced from 4% to 2%. Additional sales tax on these items is withdrawn.
- * Tax on uninterrupted power supply system (UPS) is reduced from 8% to 2%.
- * Tax on the following items under Part D of the First Schedule, viz. electronic duplicating machines etc., (S.No.18), electronic indexing machines etc., (S.No. 19), electronic teleprinters and fax machines (S.No. 20), electronic typewriters (S.No. 21), gramophones etc., (S.No. 26), sound recording and reproducing equipment etc., (S.No.52), television cameras etc., (S.No.58), video cassette recorders etc., (S.No.61) is reduced from 11% to 4%.
- * Tax on Cellular telephones is reduced from 11% to 2%.
- * Tax on cash registers, transistors etc., falling under S.No.18 and 49 of Part-C of the First Schedule is reduced from 8% to 4%.
- * Tax on television sets is increased from 4% to 10%.
- * Tax on bullion is reduced from 2% to 0.5%. Additional Sales Tax on this is withdrawn.
- * Purchase tax on worn out or beaten jewellery is reduced from 2% to 0.5%.
- * Tax on gold sold by the nominated agencies of Reserve Bank of India to exporters of gold jewellery is withdrawn. Such exporters are exempted from payment of purchase tax under Sec.7A of the TNGST Act.
- * Tax on precious stones falling under S.No. 20 of Part E like diamond is reduced from 16% to 4%.

- * Tax on duplicating machines etc., falling under S.No.6 of Part G is reduced from 20% to 8%.
- * Tax on branded rusk is reduced from 16% to 4% on par with bread.
- * Tax on compact fluorescent lamp is reduced from 16% to 2%.
- * Tax on bulbs and horns fitted to all motor vehicles is reduced from 11% to 8%.
- * Tax on greeting and invitation cards etc., is reduced from 11% to 8%.
- * Tax on REP licences etc., trailers of power tillers, non-ferrous metal scrap, woollen hosiery and sarbaths is reduced from 11% to 4%.
- * Tax on instant sambrani in the form of tablets or sticks is reduced from 11% to 1%.
- * Tax on paper envelopes, teleprinter paper, typewriting paper, manifold paper, bond paper and tin container produced without the aid of power is reduced from 8% to 4%.
- * Tax reduction from 8% to 2% on manmade fibres and yarn etc., is extended beyond 26.3.99 subject to the same conditions.
- * Tax under Sec. 3(4) of the TNGST Act is reduced from 2% to 1%. Moreover, Form XVII required to be submitted for every month can now be submitted for every year.
- * Siddha medicines, solar photovoltaic lanterns and sari falls will be exempted from tax.

- * Tax exemption limit on sale of gauze and bandage cloth is raised from Rs 50 lakhs to Rs 1 crore.
- * Residuary items falling under S.No.67 of Part D of the First Schedule of TNGST Act will be included along with comparable items in the appropriate parts of the appropriate schedules.

153. After examining the effects of these changes on tax revenue, if it is found after a year that the expected additional revenue has not materialised, appropriate changes in the tax rates will have to be made.

154. Tax on pan masala is increased from 30% to 40%.

155. Cigarette smoking is injurious to public health. In order to reduce the ill-effects of cigarette smoking to a large extent, it has been proposed to introduce a 5% luxury tax on luxury tobacco products like cigarettes excluding beedis as prevalent in the neighbouring States.

156. The turnover limit for registration under TNGST Act was increased from Rs 75,000/- to Rs 1,50,000/- in the last Budget. In order to make the limits for registration and assessment the same, the turnover limit for registration will be enhanced to Rs 3,00,000. It is expected that more than 20,000 small traders will be benefited.

157. The option of payment of tax at compounded rate now available to civil works contractors is being extended to all other works contractors and the compounding rate is fixed at 4% of the total contract value.

STATE EXCISE

158. Excise Duty on Indian made foreign liquor is being increased by Rs 10/- per proof litre. However, in order to check the sale of illicit liquor, excise duty will not be increased on ordinary brands of IMFL sold in 100 ml. bottles.