



# **B U D G E T**

**2006 - 2007**

**SPEECH OF**

*THE MINISTER FOR FINANCE*

**Thiru K. ANBAZHAGAN**

**Aadi 6, Thiruvalluvar Aandu 2037  
22nd July, 2006**

**Speech of Prof. K. Anbazhagan, Minister for Finance, Government  
of Tamil Nadu, presenting the Revised Budget for 2006-2007  
to the Legislative Assembly on 22<sup>nd</sup> July, 2006.**

**Hon'ble Speaker Sir,**

The great Saint Thiruvalluvar, gleaming at the trijunction of seas at Kanyakumari as the universally acclaimed and accepted unique cultural symbol of the classical Tamil language said:

**“தெரிந்த இனத்தொடு தேர்ந்தெண்ணிச் செய்வார்க்  
கரும்பொருள் யாதொன்று மில்”**

*(There is nothing impossible to those who thoroughly consider  
their act with chosen friends and reflect themselves well before they act.)*

I rise to present this august House, the Revised Budget Estimates for the year 2006-2007 which has been prepared keeping in mind these great words and the cherished goal of ushering the State in the path of growth and prosperity.

2. In the political history of Tamil Nadu, in 1967 Perarignar Anna formed an all party alliance, won the electoral battle and formed the DMK Government. On his sudden demise Hon'ble Kalaignar, following his sanctified footsteps in public life and with the aim of fostering the welfare of people, assumed office of Chief Minister for the first time in 1969 and for the fifth time now.

Offices having daily public interface by simplification of office procedures.

## **Annual Plan**

161. 2006-2007 is the last year of the Tenth Plan. In the meeting between the Hon'ble Chief Minister and Deputy Chairman of the Union Planning Commission held on 6.6.2006 at New Delhi, the Annual Plan outlay of the State for 2006-2007 has been approved at a record level of Rs.12500 crores. This allocation is 37 percent higher than the outlay for the year 2005-2006.

162. The allocation of Rs.10.99 crores made for Western Ghat Development Project for 2005-2006 has been increased and fixed at Rs.17.04 crores for 2006-2007. In addition an allocation of Rs.35.5 crores has been made for the Hill Area Development Project being implemented in The Nilgiris district.

163. With a view to removing the imbalances between the developed and backward districts and to speed up the development of the backward areas, the Rashtriya Sam Vikas Yojana of the Central Government is being implemented in Thiruvannamalai, Dindigul, Sivagangai, Cuddalore and Nagapattinam Districts. Under this scheme a total of Rs.45 crores at the rate of Rs.15 crores per year will be sanctioned to each district over a period of three years to undertake development works.

## **Taxes**

164. This Government is indeed pleased to present a tax free Budget for the year 2006-2007.

165. The manufacturing and trading community of this State have been making repeated representations to the Government for an early decision on introduction of Value Added Tax in this State. After examining the matter thoroughly and after ascertaining the views of the trading community in the pre budget meeting held on 5th July, 2006 with representatives of manufacturers and traders, **this Government has decided to introduce the system of Value Added Tax in the State with effect from 1st January, 2007. Representations received from large number of trade organisations especially pharmaceutical industry, manufacturers of various products and exporters within the state regarding reduction of rate of tax will to a great extent be accommodated on introduction of Value Added Tax.**

166. All efforts will be taken to ensure that small traders are not put to any hardship as a consequence of introduction of Value Added Tax. Towards this end, on introduction of Value Added Tax, **traders buying and selling within the State will have a threshold limit of Rs.10 lakhs for exemption from registration and payment of tax under the State Act. This is expected to benefit about 45,000 traders in this State.**

167. It has been the avowed policy of this Government that basic essential commodities should not be subjected to taxation. Based on this principle, our Government had exempted pulses and oil sold within the State from tax in 1996. Subsequently, tax was reimposed on pulses and oil. **I am happy to announce the exemption of sales tax on pulses and oil, thereby restoring the position obtaining prior to 2002. This will involve a loss of revenue of about Rs.110 crores per annum.**

168. In order to make the local manufacturers of the State more competitive and as a pre-cursor to the introduction of Value Added Tax system in the State, it has been decided to allow importers of scheduled goods for use in any manufacturing unit in the State the facility of set off in respect of the Entry Tax paid on the raw materials, from the tax payable on the finished products. This would obviate the difficulties faced by several small and big manufacturers. Necessary notification will be issued to give effect to this. There has been repeated representation to extend the facility of set off of Entry Tax now available to HDPE, to LDPE and PP granules. **Considering the reasonableness of the request it has been decided to extend the facility of set off of Entry Tax suffered by LDPE and PP granules from the tax payable on finished goods with effect from 21-3-2003 i.e. the date on which Entry Tax was imposed on LDPE and PP granules.**

169. In order to benefit thousands of small tea growers and manufacturers in the State, the Government has decided to reduce the rate of General sales tax from 4% to 1% and Central Sales Tax from 2% to 1% in respect of tea sold in the auction centres of Tea Serve. In respect of other auction centres at Coimbatore and Coonoor, **the rate of General Sales tax will be reduced from the present 8% to 4% and Central Sales Tax 4% to 2%. Levy of Additional tax and surcharge will also be exempted on sales effected at these auction centres.**

170. Hank yarn is the chief raw material for handloom goods. Keeping in mind the need to encourage handloom industries in the State and to benefit lakhs of handloom weavers, **it has been decided to exempt fully the sales tax on hank yarn. This involves a loss of revenue of about Rs.56 crores per annum.**

171. Our Government have always been sympathetic to the needs of the hosiery industry in the State as it is not only a foreign exchange earner but also employs thousands of young men and women in the State. It was against this background that our Government reduced tax on hosiery items from 4% to 1% in 1996. Consequent on the amendment to the CST Act, interstate sales to unregistered traders attracts 10% CST. The incentive scheme announced by the previous Government did not cover the period from 2002 to 2005 which has resulted in great hardship to thousands of hosiery manufacturers in the State. **I am happy to announce that the industrial incentive of refund of 90% of the tax would be extended to the period from 13.05.2002 to 03.04.2005 by way of waiver.**

172. Waste paper is now taxable at the point of last purchase at 4% and again subject to 4% CST on interstate sales at the hands of the same trader. This is causing hardship to the dealers involved in the trade and making them uncompetitive. **This Government has therefore decided to exempt the interstate sale of waste paper from the levy of CST provided it has suffered tax under the TNGST Act.**

173. Fly ash is used as a major input in the manufacture of bricks. **As an environment friendly measure this Government has decided to exempt levy of sales tax on the purchase of fly ash by brick manufacturers.**

174. **I am happy to announce that in order to encourage the Tamil software industry, it has been decided to grant sales tax exemption for the licensed Tamil software.**

175. Gum Benzoin (Sambirani) was exempted from sales tax in 1996. Subsequently, the previous Government levied a sales tax of 4% from 2002 onwards. As it is a product manufactured by a small group of persons in the State, **it has been decided to exempt Sambirani from levy of sales tax.**

176. Another request received from trading community is for introduction of a new Samadhan Scheme for the benefit of assesseees who have arrears of sales tax to be paid. As the State will be shifting to the Value Added Tax regime from 1st January 2007, it would be in the interest of the State and the trading community to bring to closure all outstanding tax arrears. It is with this objective **it has been decided to introduce a new trader friendly SAMADHAN SCHEME which will be available to all dealers who are in arrears of sales tax. Necessary legislation indicating details of the Scheme will be introduced in the current session.**

177. **In keeping with our assurance that resale tax will be abolished in the State, I am happy to announce that re-sale tax which was introduced by the previous Government will be abolished from 1st January, 2007.**

### **Registration Department**

178. The scheme of Computerization of the Sub Registrar offices was started during the earlier DMK regime. Under this scheme 450 Sub Registrar Offices have been computerized and quick services are being rendered to the Public. Now, the remaining 108 Sub Registrar Offices will be computerized. A provision of Rs.11.41 crores has been made in the Revised Budget.