



# **B U D G E T**

**2007 - 2008**

**SPEECH OF**  
*THE MINISTER FOR FINANCE*  
**Thiru K. ANBAZHAGAN**

**Panguni 9, Thiruvalluvar Aandu 2038**  
**23rd March, 2007**

**Speech of Prof. K. Anbazhagan, Minister for Finance,  
Government of Tamil Nadu, presenting the Budget for  
2007-2008 to the Legislative Assembly on 23<sup>rd</sup> March,  
2007.**

**Hon'ble Speaker Sir,**

It is said that a striding lion normally stops and pauses for a while, after looking around and behind, resumes its forward move. Like this characteristic look of a lion, recalling the achievements, plans, programmes and performance of this Government for the last one year and thereby streamlining its onward path and drawing inspirational determination from the immortal kural of Saint Thiruvalluvar

“ஊழையும் உப்பக்கங் காண்பர் உலைவின்றித்  
தாழா துஞற்று பவர்”

*(Who strive with undismayed, unfaltering mind,  
At length shall leave opposing fate behind.)*

this Government places the Budget Estimates for the year 2007-2008 before this august House.

2. This Government is a standing testimony to the ideological unity between DMK and its allies and it takes pride in promising to all sections of the people that it will nurture a society marked by religious harmony and will provide governance deeply committed to secular values, now and always.

3. In the continuing struggle for social justice through reservation, launched by the pioneers of the Dravidian Movement which has been going on over 80 years, although a few battles have been won, it needs to be pointed out with deep regret that even today this war for social justice has not completely been won. This DMK Government will make determined efforts to ensure that the future generations get all their due rights through social justice.

4. In the last 50 years, our nation's political, social and economic facets and the needs of the working classes have radically changed. This Government will urge the Union Government at every available opportunity about this Government's view regarding the need to amend the Constitution, given the need to ensure social justice which includes the hard won rights of people belonging to Backward Classes, Most Backward Classes, Scheduled Castes and Scheduled Tribes, minority rights and gender rights; to ensure that true and wholesome federalism prevails and in view of the need for transfer of more powers to the States by reviewing the division of powers between the States and the Union; and due to several other compelling reasons, having regard to the changing needs, while preserving the unity, integrity and sovereignty of the nation.

5. You are all aware of the fact that this Government, which has removed the debt burden of farmers, alleviated the hunger of the poor, protected the welfare of the working class, granted many an assistance to women, restored the benefits of Government employees and thus has marched on with the

various schemes benefiting all sections of the society as its foot prints in its winning path; has done not only what it had promised but has also implemented many a scheme which were not promised.

### **Agriculture and Co-operation**

6. With a view to providing relief to the distressed farmers, on the very day of assuming office, this Government had issued a landmark order by waiving all co-operative farm loans to the tune of Rs.7,000 crores, owed by them as on 31.3.2006. As a result of this initiative, which has infused a new life into the agricultural sector in Tamil Nadu, co-operative loan waiver certificates have been issued to 22,39,487 farmers so far.

7. This Government had announced that the waived amount of co-operative loans would be reimbursed to the co-operative institutions in 5 instalments with 8 percent interest. For this purpose, a sum of Rs.1,435 crores had been provided in the financial year 2006-2007 and this has ensured the continued functioning of these institutions. **Similarly, a provision of Rs.1,628 crores has been made for co-operative institutions for the year 2007-2008.**

8. The various measures taken by this Government has provided a new lease of life to the co-operative movement in Tamil Nadu, thus resulting in the disbursal of new crop loans to the tune of Rs.1,153 crores in 2006-2007. **Crop loans to the tune of Rs.1,360 crores will be disbursed in the coming year 2007-2008.** This Government had already reduced the interest

**advise the Government for making these schemes more effective.**

### **Plan Programmes**

158. 2007-2008 will be the first year of the Eleventh Five Year Plan. Approval of the Planning Commission has been obtained for a higher Annual Plan outlay of Rs.14,000 crores for 2007-2008 during the meeting held between the Hon'ble Chief Minister and Deputy Chairman of the Union Planning Commission on 5.2.2007.

159. Doubling the Tenth plan outlay of Rs.40,000 crores, the Eleventh Plan will be implemented with an outlay of Rs.80,000 crores. The Government will implement plan programmes with the objective of achieving an average annual growth rate of 9% in the State's economy during this Plan period.

### **Commercial Taxes**

160. As announced in the last Budget, a separate legislation has been enacted and Value Added Tax (VAT) has been introduced in the State with effect from 1.1.2007. The VAT system and the various concessions available under it have been widely welcomed by the public and the business community.

161. In place of higher and multiple rates of tax under the Tamil Nadu General Sales Tax (TNGST) regime, only three rates of tax are prescribed under VAT. Additional Sales tax, resale tax and surcharge have also been abolished under VAT. Under

VAT, manufacturers and traders have the facility to get credit for the input tax paid. Further, the small traders who purchase goods and resell them within the State itself having a turnover of up to Rs.10 lakhs are exempted from registration and payment of tax and such traders whose turnover exceeds Rs.10 lakhs but does not exceed Rs.50 lakhs are given the option to pay tax at a compounded rate of half percent. Self assessment by dealers has been provided for with abolition of requirement for annual renewal of dealer registration. The VAT Act also provides for continuation of the various tax exemptions granted under TNGST Act including the exemptions for edible oil, pulses and gram and jaggery.

162. Having regard to the requests made by the representatives of the trading and manufacturing community in the pre-budget meeting conducted by the Government on 24.2.2007 and keeping in mind the interest of consumers, traders and manufacturers, the following tax concessions are announced. **In consonance with the policy of this Government not to tax goods used regularly by housewives, common people and farmers, it has been decided to remove Value Added Tax levied on the following goods:**

- Kerosene pressure stove
- Fertiliser mixture manufactured out of chemical fertilizer for which tax has been paid locally
- All seeds used for sowing purpose
- Packed drinking water sold in sealed refill cans and sachets

- Local sale and inter state sale of coconut other than copra
- Peas flour
- Fried peas
- Coconut shell powder
- Panchamirtham, Namakatti, Vibudhi and Prasadam sold by any dealer
- 38 specified traditional medicine
- Seashell, Sea weed, Agar Agar and Alginate
- Synthetic gems
- Thanjavur plates
- Cloth bag
- Instruments for drawing and dissection
- Graph and Exercise note books
- Mathematical learning instruments
- Wood covered lead pencils, writing pencils, erasers, ebonite pens, ebonite ball pens, writing ink including ink tablets
- Pillow covers, bed sheets and towels made from hand looms and power looms cloth other than those made of mill made cloth
- Camphor in all forms
- Cashew shell
- Tax exemption granted to all edible oils in the last budget will be extended to all refined oils.
- The turnover limit for exemption for edible oils including refined oil, oil cake and deoiled cake was fixed as

Rs.300 crores in 2000. This turnover limit will be increased as Rs.500 crores

- Tax exemption granted to pulses and grams in the last budget will be extended to Mochai, Karamani, Thatta Payaru, Kollu and Avarai.
- The turnover limit of Rs.300 crores for the exemption for pulses and grams fixed during 2000 will be increased to Rs.500 crores per item
- The rate of tax on wheat will be reduced from 4% to 2%
- Rate of tax on bottled mineral water purchased after paying tax and sold by non-star hotels and sweet stalls will be reduced from 12.5% to 2%.

Similarly, the rate of tax on the following commodities which are used by common people and now liable to tax at 12.5% will be reduced to 4%. They are -

- Chicory and unbranded Coffee powder other than instant coffee
- Masala Powder with brand name
- Tapioca chips, flour, tapioca waste
- Bajji flour
- Energy (Sathu mavu) flour
- Unbranded ghee
- Date syrup
- Interesterified vegetable oil (vanaspati)
- Unbranded bakery products including bun, rusk, biscuits and cakes
- Diagnostic kits, Diagnostic reagents, accessories, blood bags and disposables



- Wet grinders
- R.C.C.pipes (without input tax credit on purchase of cement)
- Jolleys, door and window frames made of R.C.C. (without input tax credit on purchase of cement)
- Unbranded steel furniture
- All plastic goods other than doors, windows, frames, profiles, automobile, industrial and sanitary items
- Kuthuvilakku, Agalvilakku, Pavai vilakku, Yanai vilakku, Karthikai vilakku, Kovilmani, Karpooora thattu, Dhoopakal
- Moulded idols
- Audio cassettes including pre recorded cassettes
- Accounts Books and Diaries
- School bags and unbranded travel bags
- Shields
- Barbed wire, wire rod and wire links
- Mop made of cotton yarn
- Used cars/ Motor vehicles on value addition without input tax credit
- Textile machinery and parts
- Fasteners including nails, bushes, washers and rivets
- Electroflux

**The Government have also decided to levy tax at 4% on certain goods which are consumed or used by industries in manufacturing:-**

- Superior Kerosene Oil (without input tax credit)
- Molasses purchased and used in manufacture of chemicals by chemical industries which were earlier

permitted to procure molasses at 20% tax. They are not eligible for input tax credit.

- Certain goods like industrial gases, textile machinery etc. are ultimately used or consumed as industrial inputs. It has been decided to list such goods to be taxable at 4% when sold either by the manufacturer or by trader as industrial input.
- Entry 67 of Part B in First Schedule to the TN VAT Act, 2006 provides for notifying 'industrial inputs'. Already 27 items have been notified under the entry. Instead of issuing notifications periodically and indefinitely, it has been decided to amend the relevant entry to make the definition of 'industrial input' read as follows:

'any goods falling under Part C of the First Schedule to the TN VAT Act including consumables, packing materials and labels but excluding plant and machinery, ethyl alcohol, absolute alcohol, methyl alcohol, rectified spirit, neutral spirit and cement for use in manufacture and assembling, packing or labeling in connection with such manufacture inside the State for manufacture of goods other than those falling under Second Schedule'

- **Traders who have a turnover up to Rs.50 lakhs and opted to pay tax under compounding system at half percent are now liable to pay tax even on the turnover relating to sale of those goods which are**

**exempt from tax. With a view to ensuring that they need to pay tax only on the turnover relating to sale of taxable goods, necessary amendment will be made to the VAT Act.**

- **Accepting representations made by traders, it has been decided to list the commodities taxable at 12.5% as Part C of First Schedule to the VAT Act.**

**All the tax proposals announced herein shall be deemed to come in to effect from 1.1.2007.**

## **REGISTRATION DEPARTMENT**

**163. In the Registration Department, there are about 27,000 registered documents pending determination of correct market value for a long time. The stamp duty due to Government from these documents, which is currently remaining blocked, is estimated at Rs.400 crores. The Government will introduce a new scheme which will enable it to receive this blocked amount without any further delay and at the same time, will enable the parties also to avail stamp duty concession and get back the registered documents after payment of concessional stamp duty.**

**164. There are around 15,000 document writers and 15,000 assistants engaged in document writing associated with the various registration offices in the state. With a view to promoting their welfare, a separate 'Document Writers Welfare Fund' will be created.**