



B U D G E T

2008 - 2009

SPEECH OF
THE MINISTER FOR FINANCE
Thiru K. ANBAZHAGAN

Panguni 7, Thiruvalluvar Aandu 2039
20th March, 2008

**Speech of Prof. K. Anbazhagan, Minister for Finance,
Government of Tamil Nadu, presenting the Budget for
2008-2009 to the Legislative Assembly on 20th March,
2008.**

Hon'ble Speaker Sir,

The Hon'ble Chief Minister, who was also the then Minister in charge of Finance, commenced his Budget Speech for the year 1997-1998 on 5.3.1997 by stating that in accordance with the Kural of Saint Thiruvalluvar,

*“Who pulls forth like a bullock throughout every way and place,
Will surely cause his griefs themselves to grieve and flee apace”*

the Government would function with the determination of an ox pulling its burden over an uneven path full of obstacles, with the firm belief that the relentless efforts will result in an end to difficulties and ultimately in success. He concluded his speech by stating that (and I quote)

“In the southern part of India, Thanjavur was the capital of the mighty Chola empire where their imperial flag with the Tiger insignia was flying high. In this Thanjavur region, I was born and brought up in a village called Thirukkuvalai, in a most backward family engaged in agriculture with proficiency in music. Even as a young boy, I had a deep sense of self-respect and love for the Tamil Language. I became a true disciple of Thanthai Periyar and then the affectionate younger brother of Arignar Anna and eventually

a kin of the Tamil people dedicating myself to work for their betterment. In my public life, I have made a vow that "Even if I were to fall, let Tamil live" and my sense of duty is such that even if I am thrown into the sea, I shall stay afloat as a catamaran for the Tamil people to ride upon. In my whole life I have had only one thought foremost in my mind, day in and day out, that is the rights of the people belonging to the Scheduled Castes and Scheduled Tribes, Backward Classes and Most Backward Classes to live with dignity. I have considered myself fortunate to be a humble soldier in their formation. I have identified persons among the forward communities who have the ability and concern for the rights and progress of these people. With their help, I have strived for the prosperity of the downtrodden. Even in my dream my yearning is to fulfill my vow to see God in the smile of the poor. This budget was prepared to transform that dream into reality and out of my unquenchable zeal to see in my lifetime a peaceful and prosperous and intellectually vibrant Tamil Society."

The very same person who wrote the above lines has been devoting most of his time for the past one month for preparing this Budget for 2008-2009 with me and is the author of most part of it. May I gladly place this Budget before this august House after thanking the Hon'ble Chief Minister for leading us as a guiding force and for being a pillar of support in our endeavor to fulfill our promises vigorously in a constructive manner.

Annual Plan

160. The State's outlay for the Eleventh Five Year Plan has been approved for Rs.85,344 crores. During the Eleventh Plan period, various programmes of the Government will be implemented with the objective of ensuring social justice besides reviving the farm sector. The Annual Plan for 2008-2009 will be implemented with an outlay of Rs.16,000 crores. Adequate financial allocation has been made in this Budget for the same.

Commercial Taxes

161. 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 26.2.2008 as is the custom when the DMK Government is in charge and keeping in mind the interest of consumers, traders and manufacturers, the following tax concessions are being announced in respect of VAT.

- At present, Thali made of gold not exceeding 8 grams in weight is exempt from levy of tax. This condition of restriction on weight will be removed and this exemption will be extended to similar items symbolic of wedlock such as Karukamani used by Muslims and the Cross used by Christians.
- Bread is already exempt from levy of tax. Bun and Rusk mostly taken as food by the common man will also be exempt from levy of tax.
- Cloth-lined paper envelope will also be exempt from levy of tax, as paper envelope is already exempt.

- Siddha medicinal system is practised in Tamil Nadu as a traditional system of medicine. Most of the inputs used in the preparation of Siddha medicine are already exempt. Therefore, to encourage the indigenous Siddha medicinal system, all Siddha medicine will be exempt from levy of tax.
- Most of the vegetable oils and refined oils are exempt from levy of tax subject to a turnover condition. Soya oil will also be included in the list and exemption will be granted with the same condition.
- Local sales of turmeric, chilly and coriander are exempt from levy of tax subject to a turnover condition. The conditional exemption will be extended to turmeric powder, chilly powder and coriander powder also.
- Coconut is already exempt from levy of tax. Desiccated coconut, coconut milk and coconut milk powder which are manufactured from coconut will also be granted exemption.
- Tender coconut is exempt from levy of tax. Exemption will also be granted to packaged tender coconut water for the benefit of coconut farmers and to meet the competition from artificial soft drinks.
- Taking into consideration the interests of the sugarcane farmers, general exemption will be granted to jaggery so as to avail exemption on inter-state sales also.
- As announced in the Industrial Policy of the Government, jatropha seeds and jatropha oil will be exempt from levy of tax to encourage the use of bio-fuels.
- Rubberised textile fabrics will be exempt from levy of tax.
- Arecanut and roasted seeval are liable to tax at 4% now. Similarly 4% tax will be levied on raw seeval by reducing from 12.5%.

- Ores and minerals are liable to tax at 4%. Mosaic chips produced from the above will also be liable to tax at 4%.
- Tax on files and folders made of paper board will be reduced from 12.5% to 4%.
- Plastic photo frames will be treated as plastic goods and levied tax at 4%.
- Tax on resale of used vehicles which were purchased after paying tax either under General Sales Tax or Value Added Tax and registered within the State of Tamil Nadu under the Motor Vehicles Act will be reduced from 12.5% to 4% without the eligibility for availing input tax credit of the tax paid on the purchase of such vehicles.
- Tax on leasing rentals on the lease of equipments used for construction purposes will be reduced from 12.5% to 4%, without the eligibility of input tax credit.
- Tax on generators used for producing electricity will be reduced to 4%.
- Sale of unbranded food and drinks by other than star hotels is liable to tax at 2%. At the same time, they are not entitled to avail input tax credit on the goods purchased by them. These hotels supply branded soft drinks and ice creams also. In such circumstances, tax at 12.5% is paid on purchase of such branded items and when the same items are sold again, another levy of tax at 12.5% is made, without allowing input tax credit. To remove this anomaly, tax at 2% will be levied on the sale of such branded items also, with the same condition of ineligibility of availing input tax credit. When these hotels purchase goods such as vegetable oil, pulses and grams, turmeric, chilly and coriander, which are conditionally exempt from tax, such purchase is attracted by levy of purchase tax under section 12 of Tamil Nadu Value

Added Tax Act, 2006. To remove this difficulty, tax on the purchase of these goods by the hoteliers will be exempt.

- Necessary amendments will be brought in to the provisions of Tamil Nadu Value Added Tax Act, 2006 and its rules in order to further simplify and fine tune the procedures. The details of such amendments will be announced when the Demand for Grant of the Commercial Taxes Department is taken up.
- Value Added Tax was introduced from 1.1.2007. There are arrears of tax levied under Tamil Nadu General Sales Tax Act. To enable the dealers to settle such arrears up to the year 2001-2002, a 'One Time Settlement Scheme' will be announced in the coming financial year. The details of the scheme will be announced when the Demand for Grant of the Commercial Taxes Department is taken up.
- The announcement of tax exemptions and reductions made now, will take effect from 1.4.2008.

Overall Financial Position

162. Hon'ble Speaker Sir, I will now present the details on the fiscal projections for the Budget Estimates for the year 2008-2009. The total revenue receipts of the Government for 2008-2009 is estimated at Rs.51,505.62 crores and the total revenue expenditure is estimated at Rs.51,421.57 crores.

163. The total capital expenditure of the Government, including loans and advances (net) in 2008-2009 is projected at Rs.9,876.35 crores. This will result in a total fiscal deficit of Rs.9,792.30 crores. The Hon'ble Members may note that as per the Fiscal Responsibility Act, 2003, fiscal deficit should not