

Honourable Speaker Sir,

The net of transactions as per the Budget Estimates for the year 2006-2007 will show a surplus of Rs. 27.06 Crores.

Unlike the past, today the boundary of an economy is not restricted to a state or nation, it has become global. Keeping in view the increasing challenges and factors exerting influence, our Government has taken steps to rationalize the tax- structure with minimum burden of tax and maximum simplification to ensure economic prosperity of Gujarat.

With this approach in mind, I now present the tax proposals for further tax relief and rationalization of taxes for the year 2006-2007.

**Value Added
Tax**

I am pleased to inform this August House that our Government will introduce the Bill to amend The Gujarat Value Added Tax Act, 2003 in the current Assembly Session with the intention to implement Value Added Tax from 1-4-2006.

Implementation of VAT will ensure transparency in tax administration, reduce tax disputes and increase competitiveness of trade and industry of the state.

Normally, statutory drafts remain within the confines of Government machinery. Breaking this limit, we had put the Draft of the Gujarat Value Added Tax Act as well as that of the Rules on the website. We had discussions with various organizations like Confederation of Indian Industries, Chamber of Commerce, Sales Tax Practitioners and Sales

Tax Bar Association, invited their suggestions, incorporated a number of suggestions in the interest of the State and did our best to come out with a VAT law that can benefit all sections.

**Sales Tax
Amnesty
Scheme**

Gujarat Sales Tax Act, 1969 will stand repealed with the VAT Act taking effect from 1-4-2006. At a time when the new VAT Act is being introduced, it is necessary to ensure during the transition period that long pending cases, involving outstanding recoveries and assessments of sales tax do not drag any longer. It is also important to ensure that businessmen, industrialists and Government are in a position to spare more time and energy for implementation of VAT. I, therefore, announce before this House that we will introduce a Sales Tax Amnesty Scheme and “Vechanvera Saral Akarani Yojana” with the objective to ensure speedy recovery of outstanding taxes as well. Under the Sales Tax Amnesty Scheme-2006, if the entire tax amount outstanding as on 31-1-2006 is paid on or before 31-3-2006, the entire amount of interest and penalty would be waived. This scheme will remain in force from 1-3-2006 to 31-3-2006.

**Electricity
Duty**

In order to reduce the burden of electricity duty on people of the state, increase competitiveness and accelerate the development of trade and industry in the state, the State Government has adopted an approach to make the tax structure simpler and rational.

As a part of this approach, our Government, during the last four years, has given a huge relief amounting to a total of Rs. 629.00 crores in electricity duty only. I announce more relief on electricity duty.

Residence and Education

For the consumers falling under the category of Residence and Education in urban areas, current rate of electricity duty is 35 percent for consumption of more than 40 units per month. I propose to reduce it to 30 percent. The reduction will result in a relief of about Rs. 65.00 crores for 70 lakh consumers falling under this category.

Residuary category of consumers

Residuary category of consumers include ordinary class of society, namely small traders like vegetable shop-owners, operators of STD/PCO, private library, photo copier, tailors, washerman (laundry owners), owners of Paan shop, bookstall. In order to provide relief to this category of consumers and thereby promoting self-employment, I propose to reduce the current rate of electricity duty for this category of consumers from 35 per cent to 30 per cent. This will provide a relief of about Rs. 47.00 Crores to this hardworking class of consumers.

Hall, Auditorium, Theatre

The rate of electricity duty for Hall, Auditorium and Theatre is presently 35 per cent. State Government desires to promote the entertainment industry. As a part of this approach, it is necessary to reduce the rate applicable to them. I, therefore, propose to reduce the rate to 30 per cent.

Hotel and Restaurant

Hotels and restaurants have special significance in Tourism Industry. When we are celebrating the year 2006 as the Tourism year, I propose to reduce the rate of electricity duty from 35 per cent to 30 per cent with the noble objective of enabling them to contribute to make the Tourism Year successful.

Thus, above mentioned proposals of reducing the rates of electricity duty, applicable to various categories, will provide an estimated relief of Rs. 120.00 Crores to approximately 83 lakh beneficiaries. In the tax-structure of electricity duty, maximum rate will come down to 30 per cent from 35 per cent.

Stamp Duty With regard to Stamp Duty, in this Budget, we have come with three proposals. First, reduction in the rate of stamp duty; second, rationalization of structure of stamp duty; and third, Amnesty Scheme to address pending disputed cases.

Relief in the basic rate of stamp duty In the context of the stamp duty being charged on various types of documents for transfer of immovable property, it is important to ensure that trade and industry of the State survive the competition from outside, industries from other countries are encouraged to come to Gujarat, burden of tax duty on ordinary and middle class people is reduced and rate of stamp duty in Gujarat is made more acceptable and rational compared to nation and world. The approach of Government is to reduce the rate of stamp duty of various types of documents executed for transfer of immovable property.

Honourable Speaker Sir, continuing this approach, I propose to reduce the current effective rate of stamp duty from 8.40 per cent to 6 percent, a significant reduction of 2.40 per cent that will provide an estimated relief of Rs. 195.00 Crores per year to the people of the State.

Under The Bombay Stamp Act, 1958, 27 different rates for 59 articles are in effect. They create administrative ambiguity, confusion regarding applicable stamp duty and problem of interpretation. To solve the problem, I propose to make suitable changes in these 27 rates and restructure them into 9 rates only.

**Rationalisation
of stamp
duty**

This modification and rationalization will help common people in clearly understanding the rates of stamp duty, reduce the issues of interpretation and litigation and bring transparency in the administration.

Honourable Speaker Sir, I want to state with pride that this is for the first time in the history of stamp duty in Gujarat that the rates of stamp duty are being simplified and rationalized in such a large extent.

A Bill to amend The Bombay Stamp Act, 1958 will be introduced in the current session of the Legislative Assembly.

**Amnesty
Scheme to
recover
outstanding
stamp duty**

Demand for balance unpaid stamp duty is raised long time after submission of documents. In these cases, under Section 32-A of the Stamp Duty Act, the parties often do not pay the amount of outstanding stamp duty voluntarily in time. I, therefore, announce an Amnesty Scheme for recovery of outstanding stamp duty for documents registered before April, 2000. The detailed scheme for this purpose will be announced at the earliest.

**Entertainment
Tax**

Honourable Speaker Sir, I propose to reduce entertainment tax to 25% from existing rate of 50% so that in the field of entertainment, profession of cinema exhibition gets a boost and people get quality entertainment. As a result

gets a boost and people get quality entertainment. As a result of this reduction, cinema goers will receive an estimated relief of Rs. 18.00 Crores.

**Tax on
Video
Parlours**

Video Parlours have become an important medium for providing entertainment. They have been given relief by unchanged rate for the last fifteen years. I, therefore, propose monthly lump sum rates in the range of minimum of Rs. 3000 to maximum of Rs. 8000 on the basis of sitting capacity of the Video Parlour.

Luxury Tax

The State Government has decided to celebrate the year 2006 as the 'Tourism Year'. In order to provide incentive to hotel industry which is the basic requirement for tourism, the structure of luxury tax needs to be simplified. Accordingly, I propose to levy lump sum tax on declared tariff per room instead of charging tax per person. The prevalent structure of luxury tax is as below:

Sr. No.	Daily lodging charges per person	Rate of tax
1.	Upto Rs. 200	NIL
2.	From Rs. 201 to Rs. 400	7.5%
3.	From Rs. 401 to Rs. 600	10%
4.	Above Rs. 600	15%

With a view to simplifying the present tax structure, I propose to change them as mentioned below :

Sr. No.	Daily lodging charges per room	Occupancy	Proposed rate of tax
1.	Upto Rs. 500	-	No tax
2.	From Rs. 501 to Rs. 2000 per room	On consolidated payment made on the basis of 50% occupancy as per the declared average tariff	5%
3.	Above Rs. 2001	On consolidated payment made on the basis of 50% occupancy as per the declared average tariff Or On payment on the basis of actual occupancy as per the declared tariff.	8% 12.5%

Thus, small hoteliers charging upto Rs. 500 per room will not have to pay any luxury tax now and so will get relief.

Uniqueness of this proposal is that, if a hotel charging tariff in the range of Rs. 500 to Rs. 2000 per room is run efficiently and provides quality service and consequently enjoys full occupancy, it will end up actually paying only 2.5% tax instead of 5%. Similarly, a hotel charging tariff of more than Rs. 2001 per room also would will actually pay only 4% tax instead of 8% under the option of consolidated payment. This, in fact, is a special incentive.

**Motor
Vehicle Tax**

Under Bombay Motor Vehicle Tax Act, 1958, lump sum tax is charged on non-transport vehicles for personal use like moped, scooter, motorcycles, private jeep, autorickshaw and taxi cab. The present rate of lump sum tax on two-wheelers have been prescribed on the basis of weight. I, therefore, propose to amend The Bombay Motor Vehicle Act, 1958 and prescribe a tax rate of 6% based on the price of the vehicle. As a result, people belonging to lower and middle class would now pay less tax at the rate of 6% compared to present lump sum tax while buying two wheeler of low cost and thus will get a relief of approximately Rs. 5 Crores. Besides, in order to maintain uniformity, I propose tax at the rate of 6% on all petrol driven motor vehicles except transport vehicles.

**Professional
Tax**

Gujarat State Profession, Trade, Commerce and Employment Act, 1976 is being implemented in the State since 1-4-1976. The powers and responsibility to implement this law has been entrusted to sales tax department. Local bodies of self-governance require funds to finance local developmental works. If the powers of collecting professional tax are conferred on local bodies, they will get a new source of revenue. Local bodies today collect property

tax, municipal tax etc. and they have the required administrative machinery to do so. Our Government resolves to amend the present Act for professional tax so that local bodies may collect the professional tax and retain the same barring certain exceptions.

**Special
incentive
scheme for
the Tourism
year.**

State Government has decided to celebrate the year 2006 as 'Tourism Year'. I propose to provide special incentive to hotel industry in the Tourism year for opening of hotels at various known and important tourist places.

The Government is preparing a scheme for this purpose. Main features of the scheme would be as follows:

It is essential to develop good hotels at strategic places in the State having good potential for development of tourism. I, therefore, propose to provide concession to hotels which will have more than 20 rooms and which will come up at places to be decided by the State Government. Such hotel should have been started after 1-4-2006 and should have started functioning commercially before 31-12-2007.

It is proposed to extend following relief to such hotels fulfilling these conditions :-

- Full exemption from electricity duty and luxury tax for five years.
- Full exemption from stamp duty for purchase of land.

This scheme will be applicable for places like Dwarka, Somnath, Nalsarovar, Gir, Velavador, Mandvi-Kutch, Champaner, Dholaveera and Lothal. Final list of places for this purpose will be notified later.

Government hopes that this special scheme announced in the Tourism Year for development of hotel industry will get a favourable response.

Thus, I propose to give an estimated total relief of about Rs. 341.00 Crores in various taxes. This will have several benefits at social and economic fronts. I hope, with this people-oriented approach and economic strategy, the State will have an economy that will generate several opportunities for development.

Conclusion The final position of the Budget Estimates for the year 2006-2007 is as under :

		(Rupees in Crores)
Surplus as per Budget Estimates		27.06
Proposed relief in taxes :		
Electricity Duty	120.00	
Stamp Duty	195.00	
Entertainment Tax	18.00	
Luxury Tax	3.00	
Motor Vehicle Tax	<u>5.00</u>	
Total	341.00	
Proposed increase in taxes :		
Entertainment tax	2.50	
Motor Vehicle tax	<u>15.00</u>	
Total	17.50	
Estimated overall deficit		296.44

Making the tax structure of State simplified and rational will make the State's economy more vibrant. It will increase tax compliance leading to increase in tax revenue of the State. Further, I hope that multifold steps like economy in administrative expenditure, effective recovery of taxes and non-tax revenues and reduction in non-developmental expenditure will eliminate the overall deficit shown in the budget.

Honourable Speaker Sir, when it is a matter of Gujarat's development and it is the historic and sacred forum of this House, one may wish to speak for hours. There are many subjects which relate to my brothers and sisters of Gujarat, has the capacity to satisfy expectation of its development and are the concerns for the Honourable members of this House; but it is not possible to cover them all. The subjects and sections other than those mentioned by me are also not less important. There are proper provisions for them too in the budget. We are committed to the development of the poorest citizen, making them aware of their capacities and creating this highway for the development of Gujarat also with their efforts. I congratulate and compliment through the medium of this House many known-unknown Gujaratis who have been trying hard for the development of Gujarat and affirm my resolution for building an economically progressive and prosperous Gujarat.

Honourable Speaker Sir, at this time, I remember the lines of Shri Narmad, a Poet –

“Mother, your colour will be an additional one among the colours,

It is a good omen that even the mid-day atmosphere will be pleasant because the darkness has elapsed.

People are blessed by Narmada

Adore the gorgeous Gujarat”

(Jay Jay Garvi Gujarat)”

Let’s be together and commit ourselves to building grand Gujarat.

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