

[PART B]

VALUE ADDED TAX

106. Delhi continued with buoyant growth in VAT even in the second year of its implementation. The buoyancy of the revenue receipts indicates that VAT regime has settled and has been fully accepted by the Trade & Industry. We had the benefit of suggestions and participation of the representatives of Trade & Industry, through the VAT Advisory Committee.
107. A net amount of Rs.6500 crore was collected for the year 2005-06. During the year 2006-07 the Department of Trade and Taxes have collected net revenue of Rs.7366 crore.
108. During the financial year 2006-07, the department has adopted several e-governance initiatives with the objective of providing efficient and citizen friendly tax administrative system. The various activities of the department namely; grant of registration, issuance of statutory forms, issuing of acknowledgement of statutory and other documents and generation of various MIS Reports are being processed through computer. It is intended to extend this system to other functional areas in a time bound manner.
109. Tax deposited by the dealers in 18 authorized banks is being received electronically. Refund claims of the dealers are being issued through ECS (Electronic Clearance System). Dealers registered in the Key Customer Services (KCS) Unit had already been provided with the facility to file their returns on-line last year. Now, the department has

extended this facility of filing the returns on-line to all the dealers who are monthly return filers and the response has been encouraging. Out of 7083 such dealers, about 6000 dealers filed their returns on-line. I am confident that the remaining dealers also will avail of this facility in the coming months. Messages to around 1900 registered dealers for filing returns, approval of refunds claimed by them and other important messages are being sent through SMS by the department.

110. The website of the department is quite extensive and provides all relevant information to the public. Regular training covering VAT procedures and administrative matters is being imparted to all the employees of the department by in-house trainers as well as by the professionals from outside agencies.
111. In addition to the aforesaid initiatives, the department is also working to provide some additional facilities to the dealers and reduce the visits of the dealers to the department. The proposed initiatives are: Status of applications on web site, On-line filing of application for Central Statutory Forms, On-line payment of tax, Centralized Registration and on the spot issuance of Registration Certificate, Centralized issuance of Statutory Forms, Returns through banks, scanning of returns, Use of digital signature for on line filing of returns and Disaster Recovery site for back up of data.
112. Since stability of tax rates is important from the point of view of long-term fiscal stability as well as in the interest of Trade & Industry, I do not propose any major changes in VAT. However, some measures in the interest of the common man are contemplated. Our government has taken various measures for welfare of the physically challenged

persons. I want to go a step further and propose to exempt tri-cycle meant for use by persons with disability from levy of VAT by placing it in the First Schedule of the DVAT Act.

113. Last year, we had exempted 'Desferrioxamine' and 'Deferiprone' from VAT which are used for treatment of Thalassemics. Human blood and its components are also exempted from levy of tax. But Blood-Filters (Leucocytes Filters) which are essential in the treatment of Thalassemia patients for transfusion of packed Red Blood Cells requiring blood filtration were not exempted from tax. I propose to exempt Blood-Filters, which are used, for treatment of patients of Thalassemia from levy of VAT by including them under the First Schedule of the Act.
114. Our government is fully conscious of the important role played by bio inputs namely bio fertilizers, micronutrients, plant growth promoters etc. At present, these are taxable @ 4%. I propose to exempt the 'Bio inputs like bio fertilizers, micro-nutrients, and plant growth promoters' from VAT by inserting them in the First Schedule of the Act.
115. The Empowered Committee of the State Finance Ministers has recommended 4% VAT on 'Glucose D'. I, accordingly, propose VAT of 4% on 'Glucose D' by placing it under the Third Schedule to the Act.
116. Sir, all the utensils including pressure cookers and pans are taxable @ 4%. But spoons, knives, service ladles and forks are not covered under any Schedule and thus are taxable @ 12.5%. All these items are also in the same category of kitchen items. Therefore, I propose to place all utensils and cutlery items (including pressure cookers and pans except

those made of precious metals) in Third Schedule, so that they are taxable @ 4% only.

117. Kerosene stoves, Lanterns and Petromax, which are used by the poorer sections of our society are being presently taxed at 12.5%. I, therefore, propose to exempt these items by making an appropriate insertion in the First Schedule of the Act.

118. Sir, as you are aware, a major step has been initiated by the Government of India towards reform in taxation by moving towards Goods and Services Tax by 2010. Towards this end, it has been proposed to abolish the Central Sales Tax progressively by 2010. Accordingly, Central Sales Tax has been reduced from 4% to 3% w.e.f. 01.04.2007. As per the package to compensate the States worked out by the Government of India in consultation with the Empowered Committee of the State Finance Ministers, tobacco has been taken out from the list of declared goods and also from Column III of the Schedule to the Additional Duty of Excise (Goods of Special Importance) Act, 1957. The Empowered Committee of the State Finance Ministers has also recommended to the states to levy VAT @ 12.5% on tobacco. In view of the amendments made by the Government of India, the Entry No. 49 of the First Schedule to Delhi VAT Act, 2004 has become redundant w.e.f. 01.04.2007. Accordingly, the tobacco and tobacco products are taxable at 12.5%, being an unspecified item under the Delhi VAT Act, 2004 w.e.f 01.04.2007.

ENTERTAINMENT TAX

119. Sir, in the last budget speech I had announced that we are formulating an entertainment policy aimed at encouraging and facilitating the holding of national/international events and cultural performances with a view to create lively cultural environment for the benefit of citizens of Delhi. The said policy was notified on 16th October 2006 and has been successful in giving impetus to various cultural festivals in the city. Though the rate of entertainment tax on miscellaneous entertainment events and betting tax on totalizater was rationalized at a uniform level of 15%, the overall growth in collection of entertainment and betting tax has been 17.5% during the financial year 2006-07.

EXCISE

120. Sir, the Government of India has notified that subject to commercial viability, the oil marketing companies shall sell 5% ethanol blended petrol as per Bureau of Indian Standards' specifications in 20 States and 4 Union Territories including Delhi. The Government of Delhi in the interest of consumers to keep the oil prices at reasonable level has waived all the excise duties and charges leviable on import of ethanol in Delhi. It is estimated that the benefit to the consumer on 1 litre of ethanol-blended petrol may be 20-25 paise per litre. The Government has forgone estimated revenue of Rs 20 crores per year approximately by the waiver of excise duties leviable on import of ethanol in Delhi. In addition to direct benefit to the consumers, the ethanol-blended petrol is also a measure to conserve petroleum fuel and is an incentive for use of renewable source of energy and agricultural production in the country.

CHIT FUND

121. The Chit Funds Act, 1982 enacted by the Central Government has been extended to the National Capital Territory of Delhi w.e.f. the 1st of April 2007. This will replace the Madras Chit Fund Act as applicable to Delhi. This central legislation has been notified to cover the NCT of Delhi by the Ministry of Finance, Government of India. This Act has provisions for minimum capital requirements for companies conducting chit business, prohibiting chit fund companies from doing any other business, maximum duration of chits, maximum discount, presence of not less than two subscribers, placing a ceiling on the aggregate chit amounts of chits that are being conducted by chit fund institutions, providing for a self-contained machinery for the settlement of disputes between a foreman and the subscribers by means of arbitration, etc. These provisions are subscriber friendly and will facilitate legitimate business of Chit Funds. The rules under this Act will be notified shortly.

REFORMS IN STAMPS & REGISTRATION

122. As you are aware, lack of transparent guidelines for valuation have caused difficulties to the public as well as loss of revenue to the exchequer. Therefore, it is proposed to issue guidelines regarding the value of properties to simplify the assessment of stamp duty by the administrative machinery as well as individuals seeking registration. Publication of such guidelines and minimum rates for specified areas will bring in transparency, simplicity and efficiency in the process of registration, besides bringing in better realization of stamp duties. The notification in this regard under Section 27 (3) of Indian Stamp Act will be issued shortly.

123. In the last year's speech in the House, I had proposed the introduction of de-materialization of stamp papers. Accordingly, an agreement is being entered into with Stock Holding Corporation of India for adopting the e-stamping system, which will be implemented shortly.
124. Sir, I commend the budget for the consideration of the House.
