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গদ্যসাহাটী-২১



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GOVERNMENT OF ASSAM

**BUDGET**

**1989-90**

Presentation by

**Shri PRAFULLA KUMAR MAHANTA**

Chief Minister

March 27, 1989

FINANCE DEPARTMENT

Guwahati-781006.



Mr. Speaker, Sir,

It is my privilege to present before this august House the budget estimates of 1989-90.

**financial  
crisis**

The current year witnessed an acute financial crisis unprecedented in the history of Assam. It is natural for the honourable members to enquire about the causes of this crisis. The crisis is a manifestation of accumulated problems, which reached a bursting point this year. I propose to dwell upon certain basic causes of this crisis. The steep step up in the Plan outlay during the sixth and seventh Plans beginning from 1980-81 has imposed a severe debt burden on the State. The annual Plan outlay of Rs. 198 crores in 1980-81 went up by leaps and bounds to Rs. 610 crores during 1988-89. The loan assistance for every annual Plan is repayable from the very next year and a major portion of our Plan is financed by loans.

**additional  
resources**

2. The size of the annual Plan of 1987-88 was fixed at Rs. 575 crores. The contribution of the State to the Plan was Rs. 45 crores, which was to materialise after additional resource mobilisation of Rs. 77 crores. The size of the annual Plan of the current year is Rs. 610 crores. The contribution of the State was fixed at Rs. 75 crores, which was to accrue from additional resources to the extent of Rs. 108 crores. The additional resource mobilisation of about Rs. 185 crores for both 1987-88 and 1988-89 was anticipated to accrue largely from revision of oil royalty, which did not materialise. The immediate cause of the crisis is this large gap in our resources, which has not been bridged by Central assistance or buoyancy in State revenues.

**overdraft  
loans**

3. Such gaps in our resources were not uncommon in the past. The gaps were periodically filled up by overdraft loans from the Government of India. For instance, we received Rs. 127 crores during 1982-83 and Rs. 118 crores during 1985-86,

which helped to bridge the gap. This practice has been discontinued by the Government of India since 1986, not only in the case of Assam but all over India, with the result that the States have been forced to live within their budgetary resources. This is another major cause of the present crisis.

**ways and means**

4. The budgetary deficit which stood at Rs.11 crores on March 31, 1986, rose to Rs. 80 crores on March 31, 1987 and stood at Rs. 128 crores on March 31, 1988. Thus, the current year opened with a heavy deficit, which was unbearable for a small State like Assam. The first signs of the crisis surfaced in March 1988, when the State accounts were in heavy overdraft of Rs.94 crores with the Reserve Bank of India. In quick succession, we entered overdraft again in April 1988 to the tune of Rs. 56 crores, which was liquidated by taking advance from the Government of India against Plan assistance and not interest liability grants, normally due for release towards the end of 1988-89. The crisis continued and the State was in heavy overdraft in July, 1988, October, 1988, January, 1989, February, 1989 and March, 1989 on account of servicing of central loans. We paid Rs. 69 crores in July 1988, Rs. 93 crores in October 1988 and Rs. 69 crores in January 1989 to the Government of India towards principal and interest. Another Rs. 93 crores has been paid during this month.

5. The heavy opening deficit of Rs. 128 crores, the unprecedented floods, steep rise in the dearness allowance bills, heavy debt servicing, inadequate resource mobilisation and delay in the enhancement of oil royalty have exerted tremendous pressure on the slender finances of the State during the current year, forcing the Government to drastically curtail expenditure, both plan and non-plan, developmental and non-developmental and to regulate the payments. There is no prospect of any dramatic improvement in the situation during the next few months. The State will have to tighten the belt for sometime to come, if only to reduce our excessive dependence on the Centre.

oil royalty

6. With these preliminary remarks, may I proceed to elaborate on the revenue and expenditure of the State? Oil royalty is a major non-tax revenue of the State, constituting 20% of the State's own resources. Assam produces about 5 million tonnes of crude oil annually, which accounts for half of the indigenous on-shore production in India. Despite the fact that Assam contributes substantially to the welfare of the country, the revenue from oil royalty has remained inelastic by virtue of the constraints imposed on the State by the Oilfields (Regulation & Development) Act, 1948 and the Central Sales Tax Act, 1956. The rate of oil royalty has been pegged at 20% of the price of the crude oil at the well-head. "Price" has not been defined in the Act, which has enabled the Government of India to shift its stand now and then to its convenience. For instance, recently the Government of India took the stand that the price of crude oil will exclude the oil development cess imposed by the Government of India, although in 1981, the Government of India in their letter to the Government of Gujarat clarified that price included oil development cess. Secondly, the Act provides that oil royalty may be revised not more than once in three years. This has given a handle to the Government of India to choose its own timing of revision, since the Act has not stipulated the period of revision. It may be worth recalling the recommendation of the Sarkaria Commission on Centre-State relations in this regard to the effect that oil royalty may be revised every two years.

oil develop-  
ment cess

7. Further, since crude oil has been categorised as declared goods under the Central Sales Tax Act, 1956, the capacity of the State to raise revenues by way of sales tax has been frozen at 4%. Whereas the Government of India has been frequently and substantially hiking the excise duties, administered prices and oil development cess, oil royalty has remained static since 1984. The oil development cess was doubled by the Government of India in one stroke from Rs. 300 to Rs. 600 per ton in March 1987 and trebled to Rs. 900 per ton last month, while the royalty continues to be Rs. 192 per ton. Whereas Assam derives Rs. 182 crores as sales tax and royalty from crude oil and the

finished products, the Government of India nets about Rs.720 crores annually as oil development cess, excise duty, corporation tax and dividend from the oil companies located in Assam.

**resolution**

8. This august House may recollect that a unanimous resolution was adopted by it in November last urging the Government of India to enhance oil royalty from Rs.192 to Rs.340 per ton. It is a matter of regret that the intensity of the feelings of the people of Assam as reflected in the unanimous resolution of this House as also the urgent financial needs of the State have not been duly appreciated by the Government of India. We have presented our case in this regard before the Ninth Finance Commission and I am confident that the Commission will render justice to us.

**double loss**

9. While on the one hand, the Government of India has been dragging its feet on the revision of royalty, the Ninth Finance Commission, on the other has over-assessed our receipts from oil royalty for 1989-90. The Commission has estimated our receipts from royalty at Rs.144 crores as against the revenue of Rs.96 crores at current rates. We have been deprived of a deficit grant of Rs.48 crores during 1989-90 because of this over-estimation. We have brought this anomaly to notice of the Finance Commission and it is our earnest hope that a poor State like Assam will not have to lose sizeable revenue of Rs.48 crores on account of this unintended and unrealistic over-estimation. Again, I wish to urge the Finance Commission through this House to reconsider their recommendation.

**rural cess**

10. This House enacted the Assam Rural Development Cess Act, 1988 which came into force on January 1, 1989. The Act seeks to levy a cess on land producing mineral oils. We intended to raise Rs. 192 crores annually from the cess from the major producers, Oil India Limited and the Oil and Natural Gas Commission. We view with concern that these undertakings, owned by the Government of India, have chosen to challenge the validity of the legislation in the Supreme Court. We hope the Government of India, which has been

finding fault with the State Government on the question of additional resource mobilisation, should set an example, through its undertakings, in complying with tax legislations. The Oil India Limited and Oil and Natural Gas Commission, which have taken the plea in their writ petition that the rural cess of about of Rs.400 per ton is expropriatory, have gladly paid up the central cess, which has been hiked by Rs. 300 per ton last month to a figure of Rs.900 per ton.

cess on tea  
and coal

11. This House passed the Assam Rural Plantation Labour Welfare Bill, 1986 with the object of raising additional resources from the tea and the coal sector by levying a cess on land producing tea and coal. The legislation was anticipated to yield Rs. 20 crores annually. The Bill was reserved by the Governor for the assent of the President. More than two years have elapsed but the assent of the President is yet to come. I understand that similar legislation is in force in Bihar and West Bengal. It is difficult to understand why the Government of India has been delaying the assent. We have taken up the matter with the Finance Commission. We have urged the Finance Commission to compensate the State for this loss. This House may like to urge the Government of India to convey the Presidential assent urgently.

stock trans-  
fer

12. Assam has been abundantly endowed with precious resources, which are transported out as primary commodities. This deprives the State of the benefit of value-addition, sales tax and fresh investments. Out of the 45 million sq. metre of ply-wood manufactured in the State annually, an estimated 40 million sq. metre valued at Rs.120 crores is transported out on stock transfer. Petroleum products valued around Rs.200 crores are consigned to other States annually. About 250 million kg. of tea valued at about Rs.225 crores, moves out of Assam on stock transfer annually. Consignment tax will go a long way to remedy the imbalances and fetch about Rs.40 crores annually.

consignment  
tax

13. Although the Constitution was amended in 1983 to provide for the levy of consignment tax, the



enabling legislation has not been yet brought forward by the Government of India. The Union Finance Minister convened a conference of Chief Ministers last month in New Delhi to discuss the modalities of the consignment tax. It is a disturbing trend that the Government of India has overruled the viewpoints of several States including Assam on the question of the power of exemption. We have been consistently demanding that the power of exemption should be vested with the States only. But, the Government of India has insisted on vesting concurrent power with them. We apprehend that tea, petroleum products and plywood might be exempted by the Government of India on the plea that these goods are of national importance. It will be a tragedy, if this were to happen. Assam being a consuming State should have logically opposed the levy of consignment tax. We supported the proposal in the hope that the State will get additional resources to the tune of Rs.40 crores annually. If tea, petroleum products and plywood are exempted from consignment tax, Assam will lose both ways and more advanced States will benefit at the cost of Assam. I have written to the Union Finance Minister conveying our apprehensions and misgivings. I have also suggested that Assam should be included in the sub-committee of Chief Ministers to be constituted for laying down guidelines for exemption. We earnestly hope that the Government of India will not sacrifice the interest of a small State like Assam for the benefit of affluent States.

**Sarkaria Commission**

14. The Sarkaria Commission on Centre-State relations submitted its report to the Government of India in 1988. The report was received by the State Government in March 1988 and we have furnished our comments thereon after a high-power committee under the chairmanship of the Minister, Law examined its recommendations in depth.

15. The Sarkaria Commission has made a number of valuable recommendations on Centre-State financial relations which are relevant to the State. The Commission has recommended that the corporation tax should be brought into the divisible pool as also the cesses levied by the Central Government. The

Commission has also recommended extension of the period of over-draft with Reserve Bank from 7 days to 14 days. Although the State Governments have furnished their comments on the report of the Sarkaria Commission, the Central Government is yet to finalise its views. It is in the national interest that the Government of India acts quickly on the recommendations of the Sarkaria Commission.

**Finance  
Commission**

16. The Finance Commission plays a major role in the Centre-State financial relations. The Ninth Finance Commission was constituted in June, 1987 by a Presidential order. The Commission submitted its first report in July, 1988 pertaining to the financial year 1989-90. The final report for the period 1990-95 is expected later this year. The Commission headed by Shri N.K.P. Salve paid a three day visit to the State last month and held discussions with the Council of Ministers and senior officials. The Commission also made field visits to study the damages caused by the floods. I am happy to say that the Commission has taken a sympathetic view of the problems of Assam and I am confident that the interests of Assam will be fully protected by the Commission.

**terms of  
reference**

17. The terms of reference of the Ninth Finance Commission were finalised by the Government of India without consultation with the State Governments. The Sarkaria Commission has expressed itself in favour of consultation between the Union Government and the States in finalising the terms of reference. We are of the view that the terms of references are heavily loaded in favour of the Central Government. Therefore, some of the State Governments including Assam waited upon the Prime Minister in January, 1988 seeking modification of the terms of reference. I am sorry to say that the views of the State Governments have not been seriously examined by the Government of India.

**normative  
assessment**

18. The normative approach adopted by the Commission in assessing the tax revenue has been harsh on the State. Against our estimate of Rs.315 crores, the Commission has assessed our revenue at Rs.367 crores for 1989-90. The normative assessment has

not taken into account the peculiar situation in which Assam is placed in regard to resource mobilisation. Assam is surrounded by tax havens of Arunachal Pradesh and Mizoram and low tax areas of Nagaland, Meghalaya, Manipur and Tripura. The capacity of the State to raise tax revenue is limited under these circumstances by the opportunity for fictitious transactions and diversion of trade to the neighbouring States.

**net interest liability**

19. The Ninth Finance Commission has dispensed with grants for net interest liability, which has landed the State in serious difficulty. The Eighth Finance Commission recommended that grant-in-aid will be payable during 1989-90 in respect of fresh borrowing and lendings contracted during 1988-89. The estimated net interest liability during 1989-90 is Rs.144 crores. The lump sum deficit grant of Rs.140 crores awarded by the Ninth Commission does not even cover this liability. Though the recommendations of the Eighth Finance Commission, have been accepted by the Parliament, this particular one does not appear to have been honoured.

**population**

20. The Presidential notification has enjoined the Commission to adopt the population figures of 1971 for the purpose of devolution. As the House is aware, the population growth of Assam is far above the national average largely due to immigration. While we are entrusted with the responsibility of supporting this large population with our meagre resources, we have been penalised by a lower devolution of revenue on the basis of 1971 population figures. There is a strong case for the Commission to make an exception in the case of Assam. The Commission, which is a constitutional body, should not be rigidly bound down by the terms of reference.

**floods**

21. The State was devastated by the fury of the mighty Brahmaputra in an unprecedented manner this year. The State experienced five successive waves of floods which caused untold miseries to the people. Extensive damage was inflicted on the standing crops and public and private properties. The State Government sought Rs.789 crores from the Government of India for relief,

restoration, and rehabilitation but the Government of India fixed the ceiling at Rs.85 crores only which includes a contribution of Rs.23 crores from the State exchequer. Assam, which is already reeling under a severe financial crisis, will be hard-pressed to find this money. In this context, I would like to inform this House that although Assam had a more deserving case, much larger assistance was announced for Punjab. This element of subjectivity in the assessment of flood damages needs to be checked. We have appraised the Finance Commission of this unhealthy development.

special prob-  
lem

22. The State had to incur an expenditure of Rs.42 crores during the last 3 years for flood relief and rehabilitation out of its own resources. It is beyond the resources and jurisdiction of the State to tame the international river. We have been repeatedly urging the Government of India to treat the control of the Brahmaputra floods as a national problem and to assume full responsibility, for controlling it. The flood protection schemes are financed by the Government of India on a cent percent loan basis. The loan outstanding on this account is Rs.165 crores. We have pleaded with the Finance Commission to write off the entire loan. Further, we have submitted before the Finance Commission that the Brahmaputra floods should be treated as a special problem of Assam. It may be worth recalling that while restoration and protection of the Dal Lake in Jammu and Kashmir has been recognised by the Finance Commission as a special problem, the life and death problem of the Brahmaputra floods has been passed over. Even an affluent State such as Maharashtra has been allocated Rs. 50 crores for the improvement of the slums of Bombay. Considering the fact that Assam is getting increasingly flood prone due to heavy silting and ecological imbalance, we have pressed before the Finance Commission for enhancement of the margin money for natural calamities to Rs.60 crores from the present limit of Rs.7.25 crores.

debt burden

23. An area of grave concern for the Government is the mounting debt burden. The debt liability of the State at the end of the current year is estimated to be Rs. 3051 crores. Of this, the loans and

advances from Government of India total to Rs.2751 crores, constituting nearly 90%. Seventy one percent of the Central loans is on account of block loan for financing the Annual Plans. The figure stands at Rs.1953 crores. The debt liability is estimated to swell to Rs. 3474 crores by the end of 1989-90. The block loan for Annual Plan is estimated to reach Rs. 2225 crores by the end of 1989-90. It, thus, transpires that the percapita indebtedness of the State (1981 population) will rise from Rs. 1535 in the current year to Rs. 1746 next year.

24. During the current year we incurred an expenditure of Rs.391 crores by way of debt servicing, of which Rs.173 crores was towards repayment of principal and Rs.218 crores was for interest payment. The servicing of debt to the Government of India alone accounted for Rs.346 crores, which works out to 88% of the total. The debt servicing will go up by Rs.76 crores during the next year taking the figure to Rs.467 crores, of which Rs.265 crores is towards interest charges. The debt servicing towards Government of India is estimated to shoot up to a figure of Rs. 412 crores. Against receipt of Rs. 398 crores as loan and Rs.225 crores as grant from the Government of India for the Annual Plan of 1989-90, we shall be repaying Rs.412 crores by way of principal and interest during 1989-90. It is evident that the State is heading for a debt-trap. Considering that the investments in infrastructural development under Plan schemes do not give immediate return, we have impressed upon the Finance Commission the need for effective debt relief.

**Plan assistance**

25. The alarming debt position of the State has been brought about by the pattern of Central assistance for the Annual Plan. Whereas all the north-eastern States receive Plan assistance by way of 90% grant, Assam is eligible for 30% grants, excepting the Hill Plan which is financed on 90% grant basis. The heavy loan component has been a crushing burden on the finances of the State. The States, which were once districts of composite Assam, receive Central aid on far more favourable terms than the parent State. Although Assam has been classified as a special category State for the purpose of Plan

assistance, it seems that other States have been treated as more special than Assam. The per-capita outlay for the Seventh Plan of Assam is Rs.1372, whereas the corresponding figure for the north-eastern States varies from Rs.3044 in the case of Tripura to Rs.8937 in the case of Sikkim. We have submitted a memorandum to the Planning Commission pleading for placing Assam at par with other north-eastern States for the purpose of Central assistance. We hope that the Planning Commission will consider our request sympathetically. It is pertinent to point out that the plains districts of Assam are inhabited by plains tribes, scheduled castes and other backward communities, who are in no way more advanced than their brethren in the neighbouring hill States.

**previous liabilities**

26. I would like to bring to the notice of this House the liability inherited from the previous Government to the tune of Rs.93 crores. The Assam Co-operative Marketing and Consumer Federation incurred liability of Rs.67 crores on account of food subsidy and other operations during 1980-85. The Reserve Bank of India suspended the food credit in 1986, because of heavy overdues. We have held several rounds of discussions with the Reserve Bank. The food credit was resumed in January, 1989 on the understanding that the earlier dues would be liquidated in equal monthly instalments beginning from January, 1989. Further, a sum of Rs.26 crores is outstanding to Government of India and other State Governments on account of deployment of the Central and other State police forces during 1979-85. We have not been able to clear these dues because of resource constraints.

**Economy**

27. Let us have a look at the performance of the State economy. The unprecedented floods had a disastrous effect on the economy as a whole, particularly, the agricultural sector. Although the State was able to organise effective measures for boosting the production of autumn paddy, the production of winter paddy suffered a set-back. The production of autumn paddy during 1988-89 is estimated to be 4.25 lakh tonnes against 4.14 lakh tonnes of the previous year. The production of winter paddy declined to 19 lakh tonnes from the previous year's production of 22 lakh tonnes.

**indicators**

28. According to quick estimates the Net State Domestic Product (NSDP) (base 1980-81) rose from Rs.5475.5 crores in 1986-87 (provisional) to Rs. 5977.8 crores in 1987-88 (quick estimates), recording a growth of 9.2% at current prices. At constant prices (1980-81), the NSDP rose from Rs.3335.9 crores in 1986-87 (provisional) to Rs.3508.1 crores in 1987-88 (quick estimates), recording a growth of 5.2%. During the same period, the per-capita NSDP at current prices registered an increase of 6.7% from Rs.2420 in 1986-87 (provisional) to Rs. 2583 in 1987-88 (quick estimates). At constant prices (1980-81) the per-capita NSDP rose to Rs.1519 in 1987-88 (quick estimates) from Rs.1474 in 1986-87 (provisional) displaying a growth of 2.8%.

**dearness allowance**

29. The ever-rising cost of living has imposed a severe strain on the State finances in the form of dearness allowance for the Government employees. Eleven doses of dearness allowance were released this year with an estimated outflow of Rs. 68 crores. As a result the expenditure on salaries this year is estimated to shoot up to Rs. 675 crores

**Annual Plan 1989-90**

30. 1989-90 is the terminal year of the Seventh Plan. The outlay for the State's Seventh Plan, which was approved at Rs2100 crores by the National Development Council, has been, now, enhanced to Rs.2730 crores. The Annual Plan for 1989-90 has been fixed at Rs.635 crores compared to the outlay of Rs.610 crores in the current year. The Plan for 1989-90 will be fully funded by the Government of India. This comprises an outlay of Rs.44.23 crores for the Hill Areas, Rs.64.35 crores for the Tribal Sub-Plan and Rs.33 crores for the Scheduled Castes Component Plan. The additional outlay for the Additive Hill Plan is Rs.34.64 crores as against the outlay of Rs.32.19 crores of the current year. The North-Eastern Council schemes will have an outlay of Rs.15.04 crores. The outlay for central sector and centrally sponsored schemes has been fixed at Rs. 238 crores.

**sectoral outlay**

31. Within the State, Plan social services with an outlay of Rs.155.33 crores have been assigned the highest allocation of 24.46 per cent. The Energy sector receives the next priority, with an allocation

of Rs.148.77 crores, constituting 23.42 percent. The Agriculture sector has been allocated Rs.96.67 crores, Irrigation Rs.67 crores, Industries Rs.50.20 crores and Transport Rs.48.87 crores. Rural Development has an outlay of Rs.24.77 crores.

**Public enterprises**

32. The performance of the public enterprises of the State Government has been a cause of concern. Not only are their working results unsatisfactory but even the accounts are in heavy arrears. The accounts of 34 out of 44 enterprises are available for a period upto 1986-87 only. The investments of the Government in the 44 public enterprises rose from Rs.483 crores in 1980-81 to Rs.1146 crores by 1987-88. The Government in return incurred a loss of Rs.730 crores from these undertakings of which the interest receivable from Electricity Board alone amounted to Rs.408 crores. The Electricity Board, the Road Transport Corporation and the Tea Corporation accounted for the major losses. The work force in the public enterprises rose from 48,168 in 1980-81 to 53,360 in 1986-87.

**Electricity Board**

33. The working results of the Electricity Board show a net gap of Rs.91 crores for 1989-90, excluding the interest liability of Rs.117 crores to the State Government and excluding depreciation of Rs.29 crores. The Plan of the Electricity Board for 1989-90 has been fixed at Rs.148 crores which will be funded through State Government loan of Rs.59 crores, market borrowing of Rs.62 crores and other institutional borrowing of Rs.27 crores. The State Government have invested Rs.747 crores in the Electricity Board by way of loan upto 1987-88. The accumulated loss of the Board upto 1986-87 is Rs.195 crores, exclusive of the interest liability to the State Government of Rs.408 crores. The Electricity Board has claimed a subsidy of Rs.324 crores upto 1989-90 for losses on Rural Electrification Programmes. The State Government have presented the case for this subsidy before the Finance Commission. The high operating costs of the Board need to be examined in depth. The tariff rates, which are one of the highest in the country, probably do not leave any scope for further enhancement.



**dues of the Board**

34. I would like to bring to the notice of the Hon'ble members another very disturbing suggestion received from Government of India to the effect that the dues of the Electricity Board to Central Government Undertakings should be adjusted against Plan assistance. This subject was discussed in the conference of Chief Ministers held last month. We have impressed upon the Government of India that Governments should not get involved in this inter-corporate war. While we are willing to use our good offices for sorting out the problems, we are opposed to short cut solutions. Some of the claims are disputed by the Electricity Board. It is our earnest hope that the Government of India will not unilaterally take a decision in this regard. The Central Plan assistance is determined by the Planning Commission and approved by the National Development Council and as such it would not be proper to adjust the Plan assistance against some other dues.

**Road Transport Corporation**

35. The performance of the Road Transport Corporation has also been unsatisfactory. The State Government have invested Rs.52 crores as share capital upto 1988-89. The Corporation has incurred a loss of Rs.40 crores upto 1986-87. The working results of the Corporation for 1989-90 reveal a gap of Rs.9.5 crores. The Annual Plan for 1989-90 has been fixed at about Rs.9 crores which will be fully funded by the Government as share-capital.

**Tea Corporation**

36. The State Government have invested Rs.13 crores upto 1985-86 in Assam Tea Corporation. But, the Corporation managed to accumulate a loss of Rs.25 crores upto 1986-87. The Corporation employs 15,917 persons. The continued sickness of the Corporation has been a serious problem to the Government. The Government have taken steps of revive the Corporation through fresh investments in collaboration with NABARD and other financial institutions to the tune of Rs. 12 crores.

**Pay commission**

37. The welfare of Government employees has been a major concern of the State Government. The Pay Commission began functioning in May 1988 and

it is expected to submit the report during 1989-90. We have made a provision of Rs. 180 crores for 1989-90 on account of revision of pay scales. We will be unable to shoulder the extra burden unless the Finance Commission comes to our rescue. We have already lost considerably on this score because the Commission has not made any provision during 1989-90 for revision of pay scales. It is our earnest hope that adequate provision will be made by the Commission for the period 1990-95. It may be mentioned that the neighbouring States of Arunachal Pradesh, Manipur, Tripura, Mizoram and Meghalaya have revised their pay scales. Further, the State Government has decided to implement the pay scales of University Grants Commission for teachers with effect from January, 1986. The arrears on this account will be paid during 1989-90. We have provided Rs. 16 crores in the budget for payment of these arrears. The University Grants Commission is committed to reimburse 80% of the expenditure up to 1989-90 only, thereafter the entire burden will fall on the State Government.

**Provident fund**

38. The maintenance of provident fund accounts of State Government employees by the Accountant General has not been satisfactory. The Accountant General has not furnished the statements of account for 1986-87 and 1987-88 to the Government employees. The Accountant General has shown negative balance in the provident fund accounts of 1985-86 and 1986-87, which means that there were more withdrawals during the year than deposits. This is an improbable situation. The Planning Commission has refused to accept the figures of the Accountant General for provident fund balance during the resource discussions. This matter needs the urgent attention of the Accountant General.

**RBI and AG**

39. Yet another area of concern to State Government is the divergence in the accounts as furnished by the Accountant General and the Reserve Bank. The Accountant General has reported a closing balance of (—) Rs. 114 crores for 1987-88, whereas the Reserve Bank has furnished a figure of (—) Rs. 128 crores. The divergence during the year 1986-87 was even more glaring. The

Reserve Bank reported a closing balance of (—) Rs.80 crores, whereas the Accountant General reported (—) Rs.166 crores. For 1985-86, Reserve Bank reported a closing balance of (—) Rs. 11 crores, whereas the Accountant General reported a figure of (—) Rs.39 crores. The persistent discrepancies in the figures of closing balance as furnished by the Reserve Bank and the Accountant General have caused serious embarrassment to the State Government. The Government of India accepts the figure of Reserve Bank only for the purpose of resource calculations. We hope that the Reserve Bank and the Accountant General will take action to reconcile these chronic differences in the figures.

**central budget**

40. The Central Budget presented last month has caused further erosion in the resources of the States as a whole. The surcharge on income-tax, which remains outside the divisible pool, has been continued in one form or the other, much against the recommendation of the Sarkaria Commission and Finance Commissions. The administered prices of steel and coal have been raised this year. The proceeds from this enhancement are not shared with the States. The Government of India has taken recourse to raising resources through administered prices rather than excise duties. Further, the oil development cess on crude oil has been enhanced from Rs.600 to Rs.900 per tonne since February. The additional yield of roughly Rs.300 crores will again be outside the divisible pool. It may be worth noting that the Sarkaria Commission has expressed itself against the Centre raising resources through cesses and administered prices.

**tax revenues**

41. The tax revenues continue to show an impressive growth. The tax revenues are estimated to rise from Rs.266 crores in the current year to Rs.315 crores next year. Sales tax is the mainstay of our tax revenues. Sales-tax collections have been encouraging. The collections have grown from Rs.148 crores in 1986-87 to Rs.169 crores in 1987-88 to Rs.183 crores in the current year and are estimated to reach Rs.227 crores during 1989-90. However, agricultural income tax has shown a declining trend from 1986-87. The revenue, which stood at Rs.62

crores in 1986-87, declined to Rs.25.88 crores in 1987-88 and it is estimated to be at the level of Rs.30 crores during the current year and next year. The phenomenal rise in tea prices during 1982-84 in the auctions at Guwahati and Calcutta contributed to the windfall revenues in 1986-87. The tea prices have subsequently fallen. The growth of revenues from sales tax has been affected by the severe floods during the current year and last year and the concessions granted under the industrial policy of 1986.

**small savings**

42. Small savings collections (net) have displayed a significant growth in the recent years. The collections which stood at Rs.65 crores in 1986-87 rose to Rs. 73 crores in 1987-88 and have touched a figure of Rs.106 crores upto January this year. As the honourable members are aware, 75% of the collections are advanced to the State Government as loan by the Central Government. I take this opportunity to congratulate the Regional Director, National Savings Organisation of Government of India and the Director of Small Savings for their impressive performance in mobilising small savings.

**non-plan expenditure**

43. The non-plan expenditure rose from Rs.1154 crores in 1987 to Rs.1251 crores in the current year (revised) and is estimated to swell to Rs.1521 crores during 1989-90. The steep increase is on account of debt servicing (Rs.83 crores) and salaries (Rs.233 crores). 50.2% of non-plan expenditure during 1989-90 will be on account of salaries and pension (Rs.764.2 crores) and 30.86 % on account of debt servicing (Rs.469.6 crores). Thus, 81% of the non-plan budget is consumed by salaries, pensions and debt servicing. Sectorwise, the highest expenditure is on Education (Rs.274.6 crores) followed by Police (Rs.133 crores), Public Works Department (Rs.63 crores) and Health (Rs.54.6 crores).

44. The overall expenditure (net) both plan and non-plan rose from Rs.1794 crores in 1987-88 to Rs.1943 crores in the current year (revised) and is estimated to touch Rs.2347 crores during 1989-90. The Plan expenditure forms 36% of the total expenditure.

**receipt**

45. The overall receipts in the consolidated fund rose from Rs.1703 crores in 1987-88 to Rs.1887 crores in the current year (revised) and will reach Rs.2116 crores during next year. Our own resources contributed 24% to the receipts in 1987-88 and the figure has declined to 22% during this year and next year. Oil royalty contributes 20% and State taxes contribute 67% to our own revenues.

**budget 1989-90**

46. The transactions during 1989-90 show a huge deficit of Rs.215 crores. A big chunk of this deficit will be on account of the provision of Rs.180 crores earmarked for revision of pay scales. Taking the opening deficit of Rs.158 crores (Rs.172 crores according to the Reserve Bank), the year will close with a deficit of Rs.373 crores (Rs.387 crores according to the Reserve Bank). The deficit would widen further by another Rs.100 crores, if we were to provide for the non-plan gap of Electricity Board and Road Transport Corporation. The abstract of transactions is at Annexure I. We are concerned at this sharp deterioration in our finances. The Government is committed to mobilise additional resources to the extent that the State can bear.

**profession tax**

47. I now turn to proposals of resource mobilisation. The ceiling for profession tax is fixed by Article 276 of the Constitution. The ceiling of Rs.250 per annum was enhanced to Rs.2500 per annum by the sixtieth amendment of the Constitution, which came into force in December 1988. Almost all the States have utilised this opportunity to tap this source for additional resources, which have remained stagnant since 1979. The exemption limit of Rs.8,000 is being raised to Rs.10,000 keeping in view the rise in cost of living. Further, we have taken care to retain the tax at Rs. 50 per annum for low-paid employees with annual income upto Rs. 12,000. Persons who have annual income in the range of Rs.12,000-15,000, will have to pay Rs.100 more. With a gradual step up in the tax rate, persons with annual income of Rs.1,20,000 and above will pay the highest tax of Rs. 2,500 per annum. The schedule of profession tax is at Annexure II. In all the slabs the tax rate is about 2% of the income. The new tax rates will be applicable to the income

earned during 1988-89 onwards. Profession tax qualifies for income tax deduction. We anticipate an additional revenue of Rs.7 crores in a full year from profession tax.

**passenger  
and goods  
tax**

48. Assam Passengers and Goods Taxation Act, 1962 provides for levy of passenger and goods tax on advalorem basis. Section 4 of the Act authorises the Government to accept lump sum payment in lieu of advalorem tax. Lump sum rates were last revised in the year 1977. Although fares and freights were subsequently raised, the lump sum rates have remained static. I propose to enhance these rates. The appearance of new types of vehicles, such as, mini bus, mini-truck, maxi-taxi and All India Tourist Omnibus has also necessitated revision of the lump sum rates. The enhancement is 10% in respect of mini-trucks, city buses and taxis with inter-State permit. The enhancement is 20% in respect of taxis with inter-district permit. The enhancement is 30% in respect of bigger trucks and 50% for contract carriage buses. We anticipate an additional revenue of Rs. 1 crore in a full year. The changes will come into force with effect from the first of April. I am happy to announce that the administration of passenger and goods tax will be transferred to the Transport department from Finance department in the coming year.

**luxury tax**

49. The hotel industry is now fully established in Assam. Several big hotels have come up recently to cater to the needs of the upper-middle class and the upper classes. I propose to tax luxury accommodation in the hotels to fetch an additional revenue of Rs. 40 lakhs in a full year. Daily rent per head of Rs. 100—Rs. 200 will attract a luxury tax of 10%, rent of Rs. 200—Rs. 300 will have to bear tax of 15% and rent exceeding Rs. 300 will be liable for 20% tax. These rates will come into force from the first of April.

**aviation fuel**

50. The sale of aviation turbine fuel is currently taxed at 15% ad valorem. The rate was enhanced in April 1987 from 10% to 15%. The rate of tax in the neighbouring West Bengal is 25%. We propose to enhance the sales tax to 25% from tomorrow. The additional revenue will be Rs. 80 lakhs in a full year.

**petroleum products**

51. Since 1982 there has been no enhancement in the sales tax on petroleum products. The sales tax on lubricants, petroleum gas and other derivatives are being raised by 1%, whereas sales tax on petrol will be raised by 2%. Kerosene and diesel have been spared, keeping in mind the interest of the common man. These new rates will come into force from tomorrow. The additional anticipated revenue is Rs. 3.5 crores in full year.

**Finance tax**

52. Presently, a large number of goods are taxed at 7% advalorem under the Assam Finance (Sales Tax) Act, 1956 since 1969. These include motor vehicles, computers, tractors, tri-cycles, tiles, toothpaste, tooth brush, cutlery, crockery, vegetable oils, matches, footwears, leather goods, plywood, paper products, soaps etc. I propose to enhance the rate marginally by 1%. We anticipate an additional revenue of Rs. 3 crores in a full year. The sale of cement is taxed at 10% and hosiery goods at 6% under the Assam Finance (Sales Tax) Act, 1956. I propose to enhance these rates by 2%. This measure is estimated to yield additional revenue of Rs. 40 lakhs in a full year.

**sales tax**

53. A large number of goods are taxed at 6% as unclassified goods under the Assam Sales Tax 1947. Hardware, spices, readymade garments, various galla articles, stationery etc fall in this category. The rate of 6% was fixed in 1967. I propose to raise this tax by 1% to net an additional revenue of Rs.80 lakhs in a full year with effect from tomorrow.

**tea auction**

54. The sale of tea in Guwahati auction is presently taxed at 1% ad valorem. The Guwahati auction has stabilised itself in recent years and is in a position to bear sales tax at 2%. It may be recalled that 1% sales tax was introduced in April 1987. The anticipated additional revenue is Rs.2.5 crores in a full year. As a gesture to the tea auction, I propose to exempt the tea sold in auction for the purpose of resale within Assam from sales tax. The enhancement and exemption will take effect from tomorrow.

**butter**

55. Presently, butter sold in packet is exempt from sales tax, although butter sold in sealed container is taxed at 7%. I propose to do away with

this artificial distinction and tax butter sold in packet at 8% at first point with effect from tomorrow. This measure will fetch an additional revenue of Rs. 10 lakhs in a full year.

**supari**

56. Supari is despatched on fairly large scale from the State without contributing to the State exchequer. I propose to tax supari at first point at 8% with effect from tomorrow to extract a revenue of Rs. 4 lakhs in a full year

**expensive food**

57. It is the duty of the affluent, who can afford sumptuous food, to share their prosperity with fellow countrymen. I propose to levy an ad-valorem sales tax of 7% with effect from tomorrow on expensive food items of meat, fish, cereals and pulses served in hotels and restaurants. The levy will be applicable to such preparations, if the price of a single item exceeds Rs. 10. This is anticipated to generate an additional revenue of Rs. 30 lakhs in a full year.

**turnover tax**

58. I propose to levy a non-passable 'turnover tax' with effect from first April on dealers whose annual turn over exceeds Rs.10 lakhs. Dealers with annual turnover ranging from Rs. 10 lakhs to Rs. 25 lakhs will pay  $\frac{1}{2}$  % turnover tax, dealers with annual turnover ranging from Rs. 25 lakhs to Rs. 50 lakhs will pay 1% tax and those with annual turnover exceeding Rs. 50 lakhs will pay  $1\frac{1}{2}$  % tax. This proposal will yield a sizeable revenue of Rs. 10 crores in a full year. The turnover tax, however, would not be payable in respect of declared goods and other exempted items.

**tax on lease**

59. The 46th Amendment of the Constitution, which came into force in 1983, provides for taxing the delivery of goods for use and also transfer of goods involved in execution of works contracts. We propose to make use of this power for raising additional resources with effect from first of April. Lease of video cassettes, audio cassettes, television sets, video cassette recorders, video cassette players, video games equipments, internal communication equipments and closed



circuits T. V. equipments will be taxed at the rate of 20% of the hire charges. This measure will yield a revenue of Rs. 20 lakhs in a full year.

**works con-  
tract**

60. Works contracts relating to fabrication, fixing of overhead tanks, lifts, rolling shutters, grills, collapsible and other gates, doors, windows, frames, tiles, slabs, stone sheets, flooring, roofing, sanitary and water fittings, drainage and sewerage will be taxed at 4% of the consideration of such contracts, with effect from first April. Deduction on account of labour charges at specified rates will be allowed. Additional revenue of Rs. 30 lakhs is anticipated to accrue from this measure in a full year.

**entry tax**

61. The Constitution empowers the State Government to levy a tax on the entry of goods into a local area for consumption, use or sale. We propose to take recourse to this power for raising additional resources to the tune of Rs. 7 crores in a full year. The Assam Entry Tax Bill, 1989, is being introduced for this purpose. We propose to levy entry tax on sugar, textiles, tobacco and tobacco products. Sugar will be taxed at 2%, textiles at 3% and tobacco products at 4%. Additional excise duties are levied by the Government of India on these commodities in lieu of sales tax. The assent of the President of India will be necessary under Article 304 of the Constitution for this levy. Entry tax is levied in several other States, particularly, Maharashtra, Andhra Pradesh, Madhya Pradesh and West Bengal. Therefore, it should not be difficult for the Government of India to communicate their approval to the Bill. Our experience in obtaining President's assent has not been very happy in the past and I hope this Bill will be assented to promptly so that the State is not deprived of additional resources.

**stamp duty**

62. I now, propose to deal with stamp duties leviable under the Indian Stamp Act, 1899. These duties were last revised in 1984. I propose to augment the revenues by 25% to the tune of Rs. 1 crore in a full year. A Bill is being introduced in the Assembly for this purpose.

**motor vehicle tax**

63. Tax payable in respect of different kinds of motor vehicles under the Assam Motor Vehicles Taxation Act, 1936 was last revised in 1966. The cost of administration has increased several fold in the recent years. Further, several new types of vehicles have appeared in the market. The motor vehicle owners owe it to the State to contribute more to the exchequer. I propose to enhance the motor vehicle taxes with effect from first April. The enhancement will be in the range of 14% to 70% depending on the type of vehicle. A Bill will be introduced in this Session for this purpose.

**registration fee**

64. Registration fee has remained static since 1958. During these three decades, land value has shot up ten fold. The services of the Registration department have been expanded for the benefit of the rural population. The increase in cost of administration has necessitated enhancement of the registration fees. The revision of registration fee is anticipated to yield an additional revenue of Rs.50 lakhs in a full year.

**forest revenue**

65. At present, the Forest department operates a dual rate system for supply of minor forest produces, such as sand, stones etc. As against the open tenders applicable to private purchases, the State and Central Government departments/public sector undertakings are given concessional treatment. The dual pricing has resulted in leakage of these produces to the open market. In order to block this leakage, I propose to withdraw the concessional treatment and bring the Government departments and undertakings at par with others. An additional revenue of Rs. 5 crores is anticipated to accrue from this rationalisation.

66. I have outlined in the above paragraphs the efforts of the State Government in the direction of additional resource mobilisation. The total estimated yield of these efforts in a full year is Rs.43.84 crores. The economy will be hard pressed to bear any further load. I earnestly hope that the sincere efforts of the State Government will be matched by adequate Central assistance. The budgetary gap of

Rs. 373 crores (Rs. 387 crores according to Reserve Bank) is too large to be bridged by our own efforts. Particularly, the liability of about Rs. 180 crores on account of pay revision cannot be shouldered by the State Government unless the Finance Commission takes a liberal view of our liabilities. I also reiterate my earlier request to the Prime Minister for moratorium on repayment of central loans and interest and an overdraft loan of Rs. 150 crores. Last but not the least, the long overdue enhancement of oil royalty should give us the much needed relief during the coming year. I end by repeating my assertion before the Ninth Finance Commission that although Assam is rich in precious natural resources, it is starved of financial resources. The key for rectifying this imbalance is with the Government of India.

With these words, Sir, I commend the budget estimates for 1989-90 and the vote on account for three months for the consideration of the House.

Thank you.

Annexure—I

Abstract of transactions  
(Rupees in crores)

	Actuals 1987-88	Budget Estima- tes 1988-89	Revised Estima- tes 1988-89	Budget -Estima- tes 1989-90
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**A. RECEIPTS**

<b>I. Consolidated Fund</b>				
Revenue Account	1241	1344	1336	1501
Capital Account	691	1106	1136	1166
Total	<b>1932</b>	<b>2450</b>	<b>2472</b>	<b>2667</b>
<b>II. Contingency Fund</b>				
Account	2	..	2	2
<b>III. Public Account</b>				
	1584	817	815	899
<b>TOTAL (I+II+III)</b>	<b>3518</b>	<b>3267</b>	<b>3289</b>	<b>3568</b>

**B. EXPENDITURE**

<b>I. Consolidated Fund</b>				
Revenue Account	1326	1402	1411	1779
Capital Account	698	1123	1118	1119
Total	<b>2024</b>	<b>2525</b>	<b>2529</b>	<b>2898</b>
<b>II. Contingency Fund</b>				
Account	2	..	2	..
<b>III. Public Account</b>				
	1456	786	802	885
<b>TOTAL (I+II+III)</b>	<b>3482</b>	<b>3311</b>	<b>3333</b>	<b>3783</b>

**C. TRANSACTIONS**

DURING THE YEAR

Surplus (+)/Deficit (—)		(—)44	(—)44	(—)215
Accountant General	(+ )36			
Reserve Bank	(—)48			

**D. OPENING BALANCE**

Surplus(+)/Deficit(—)				
Accountant General	(—)150	(—)199	(—)114	(—)158
Reserve Bank	(—)80	(—)113	(—)128	(—)172

**E. CLOSING BALANCE**

Surplus(+)/Deficit(—)				
Accountant General	(—)114	(—)243	(—)158	(—)373
Reserve Bank	(—)128	(—)157	(—)172	(—)387

## ANNEXURE—II

### Schedule of profession tax

<u>annual income</u>	<u>annual tax</u>
Upto—Rs. 10,000	Nil
Rs. 10,000—Rs. 12,000	Rs. 50
Rs. 12,000—Rs. 15,000	Rs. 200
Rs. 15,000—Rs. 20,000	Rs. 350
Rs. 20,000—Rs. 25,000	Rs. 500
Rs. 25,000—Rs. 35,000	Rs. 650
Rs. 35,000—Rs. 45,000	Rs. 800
Rs. 45,000—Rs. 55,000	Rs. 950
Rs. 55,000—Rs. 65,000	Rs. 1000
Rs. 65,000—Rs. 75,000	Rs. 1250
Rs. 75,000—Rs. 85,000	Rs. 1400
Rs. 85,000—Rs. 1,00,000	Rs. 1700
Rs. 1,00,000—Rs. 1,20,000	Rs. 2000
above—Rs. 1,20,000	Rs. 2500

