

Honourable Speaker Sir,

The overall surplus as per Budget Estimates for the year 2016-2017 is ₹ 245.49 crore.

I now present tax proposals for the year 2016-2017.

Value Added Tax

Bamboo and bamboo-articles (Except furniture)

Large number of people living in forest and rural areas get employment in making bamboo and bamboo based articles as a cottage industry. These articles include baskets, tray, bowl, supda, pen-stand, articles of decoration, hand-fan, mat, broom, toys etc. In order to encourage production, sales and usage/consumption of these items, and also **for the upliftment / improvement of the people engaged in these activities**, I propose to **fully exempt** Bamboo and articles made from bamboo (except furniture) **from current rate of tax 5% including additional tax.**

Pedal Rickshaw and cycle rickshaw

Pedal Rickshaw and cycle rickshaw are the tools of employment for the people of economically weaker sections. These cycles are used for movement of goods on a small scale. The vendors ferry small items and earn their livelihood. In order to give relief to these people, I propose to **fully exempt pedal rickshaw and cycle rickshaw** from the current rate of tax 5% including additional tax.

Mosquito Net

Fatal diseases like malaria, dengue and some other diseases are spread through mosquitoes. In order to increase the usage of mosquito nets to get increased protection from mosquitoes and also keeping in mind the objective of Healthy Gujarat, I propose to **fully exempt mosquito net from current rate of tax 5% including additional tax.**

Sanitary Napkins and adult diapers

Sanitary napkins and adult diapers are necessary for hygiene and physical health for daughters, women and old age people. These items are medically treated also. In old age, during physical inability, and in certain kind of illness, adult diapers are useful to old people. To promote the usage of these items and to build **clean and healthy Gujarat**, I propose to **fully exempt sanitary napkins and adult diapers from the current rate of tax 5% including additional tax.**

Frozen semen

Frozen semen is prepared after lot of research and development efforts and sold in the State. It is used for animal breeding and developing good quality animals. In order to **encourage development of strong animal husbandry and dairy industry** in the State, I propose to **fully exempt frozen semen from the current rate of tax 15% including additional tax.**

Ceramic products

Gujarat is the manufacturing hub of ceramic products in the country with large scale employment generation. In order to **sustain the employment** provided by this industry, I propose to **reduce the rate of tax on ceramic products from current rate of tax 15% including additional tax to 5%** including additional tax.

As a result of reduction in the rate of tax and the exemption from tax on the items mentioned above, the **people of the State will get relief of approximately ₹ 171 crore.**

Vehicles purchased by institutions (Institutional purchases)

Vehicles purchased by Companies, Firms, Institutes, Associations, Trusts, Government departments, Boards-Corporations, Local Self Governments, etc are purchased for their administrative/business purposes. Because of the depreciation benefit available to most of these institutions for the purpose of income tax on these vehicles, the burden of income tax gets reduced to that extent for such institutions. Therefore if the rate of tax is increased on such vehicles, the burden would be negligible. I therefore, propose to **increase the rate of tax from current rate of tax 15% including additional tax to 20% including additional tax** on the vehicles(except school buses, college buses, passenger buses and goods trucks) purchased by Companies, Firms, Institutes, Associations, Trusts, Government departments, Boards-Corporations, Local Self Governments, etc. The proposed increase will not be applicable to purchases made by individuals for personal use. As a result of this proposal, the tax revenue of the State is estimated to **increase approximately to the extent of ₹ 50 crore** annually.

Luxury car/ SUV and luxury two wheeler

Normally, luxury cars/SUVs and luxury two wheelers are used by economically sound people. The prices of these types of vehicles are very high also. If the rate of tax on such vehicles is increased, it would still be affordable to such people. I, therefore, propose to **increase the rate of tax from current rate of tax 15% including additional tax to 20% including additional tax** on luxury cars/SUVs with price more than ₹ 15 lakhs and luxury two wheelers with price more than ₹ 2.5 lakhs. As a result of this proposal, the tax revenue of the State is estimated to increase approximately to the extent of **₹ 30 crore** annually.

Pan masala

Tobacco gutkha is presently prohibited in the State. It is necessary that there is some restraint on the usage of pan masala also. If the price of pan masala increases by increase in rate of tax, it would **discourage the usage of pan masala**. I therefore propose to **increase the present rate of tax on pan masala from 15% including additional tax to 25% including additional tax**. As a result of this proposal, the tax revenue of the State is estimated to increase approximately to the extent of **₹ 75 crores** annually.

Industrial Salt

Industrial salt is produced on large scale in the State. If the industrial salt used in manufacture of goods as industrial input is made taxable, the input tax credit would be available for the industrial salt used for industrial purpose and there would not be additional burden on the dealers of the State using industrial salt for industrial purpose. At the same time, tax revenue would be available on the industrial salt which is sold in large scale in interstate transactions. I therefore propose **to levy tax at the rate of 5% including additional tax on industrial salt** used in manufacture of goods. As a result of this proposal, the tax revenue of

the State from the interstate sales is estimated to increase approximately to the extent of **₹ 10 crore** annually.

E-commerce transactions

Trade of the **dealers** of the State is **affected adversely** as also the State suffers **loss of tax revenue** due to sale of goods through supplies in the State from outside the State under **e-commerce transactions**. By capturing such transactions under the Entry Tax, the dealers of the State would get **level playing field**. I therefore **propose to cover the goods coming in the State through e-commerce under the Entry Tax**. A Bill to amend The Gujarat Tax on Entry of Specified Goods into Local Areas Act, 2001 will be introduced in the current session of the Legislative Assembly. As a result of this proposal, the tax revenue of the State is estimated to increase approximately to the extent of **₹ 30 crores** annually.

Provisional Refund

In order that the **small dealers** of the State **get refund easily**, I propose **to pay 100%** provisional refund **within 30 days** from the date of submission of all documents, to the dealers to whom refund upto ₹ 1.00 lakh is to be paid. This will be subject to the following conditions:

- (a) The dealers, in whose case annual refund upto ₹ 1 lakh has been paid in the previous year will get this benefit in the subsequent year.
- (b) The dealer should be holding Registration Certificate for more than two years.

As a result of such provision, about 60% of the small dealers getting the refund will be benefitted.

Amnesty scheme

The Goods and Service Tax would reach implementation stage in the coming days. Under this, a new tax system and new tax structure would be implemented. In such circumstances, it is necessary that problems relating to past outstanding tax dues are resolved. The recovery of tax dues under the Sales Tax Act and the Value Added Tax Act, has long been pending due to issues of interpretation, some other pending problems, non availability of statutory forms, and pending before the Appellate Authority. Thus, the recovery of tax amount actually due to the State remains outstanding. **To address the situation, an amnesty scheme will be declared.** It will contain the following aspects:

- (1) Outstanding dues upto 31-12-2015 under the Sales Tax Act, Value Added Tax Act, Motor Spirit Act and the Central Sales Tax Act will be covered under the Amnesty Scheme.
- (2) In the cases of outstanding recovery, except in the cases of tax evasion, interest and penalty will be remitted on full payment of outstanding principal tax amount.
- (3) In the cases of outstanding recovery in the cases of tax evasion, full amount of principal tax and interest; and 25% of penalty amount will have to be paid.

- (4) The scheme will extend to the cases in appeal also, provided the appeal is withdrawn.

As a result of the scheme, **large number of outstanding recovery cases and pending appeals will be disposed** and the State will receive the pending tax dues.

Electricity Duty

Hotel/ Restaurants

Presently, Electricity Duty at the rate of 25% is applicable to hotel/restaurants. It is proposed that such units which are getting electricity at high voltage will attract the rate of **only 15%** of Electricity Duty, and the units other than the above units will attract Electricity Duty at the rate of **only 10%**. Notification in this regard will be issued. Because of the above change, the hotel/restaurants of the State will get relief to the extent of approximately **₹ 40 crore**.

Private Hospitals

Presently, the hospitals or dispensaries which are not meant for the purpose of private gain are completely exempted from payment of Electricity Duty. But the other hospitals are assessed Electricity Duty at the rate of 25%.

It is necessary that the people of the State get quality health facilities easily. With this purpose, I therefore, propose **to reduce the current rate of Electricity Duty from 25% to 15%** for the private hospitals having **ten(10) or more beds**. Due to the proposed change, the private hospitals of the State would get relief of approximately **₹ 40 crore**.

Stamp Duty

Transactions of Share Brokers in the GIFT City

In order to **encourage the service sector and to accelerate employment opportunities** to the youth in the GIFT City, Gandhinagar, **exemption from payment of Stamp Duty** will be given as per the prevailing provisions of the Gujarat Stamp Act, 1958, to the share broking transactions of the share brokers who **establish their registered share broking office in GIFT City, Gandhinagar and also operate and trade** from the same place.

Conclusion

The final position of Budget Estimates for the year 2016-2017 will be as under: (₹ In crores)

(1) Surplus as per Budget estimates		(+) 245.49
(2) Proposed increase in taxes	(+) 195.00	
(3) Proposed relief in taxes	(-) 251.00	
(4) Estimated overall surplus		(+) 189.49

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