Honourable Speaker sir,

According to the Budget Estimates for the year 2008-2009, the deficit is estimated to be Rs.876.20 crore.

Honourable members of this House must have observed from earlier part of my speech that, apart from agricultural development, industrial development and infrastructural development, the mammoth task of improving Human Development Index has also been included in government's approach for comprehensive development. Government intends to put Gujarat at par with the developed countries through concrete work in the area of human development.

We will have to provide financial resources for achieving the target of more than one lakh crore rupees set for the 11th plan and also to achieve the target of 11.2% growth in the Gross State Domestic Product (G.S.D.P.). There would be a need of Rs. 19,030 crore for the next Annual Plan. In this perspective, to scale a new peak in the development of the State, it has become essential to mobilize additional financial resources.

With an approach that may give an unprecedented growth momentum and catapult Gujarat to greater heights of economic development, I now present the tax proposals for the year 2008-2009.

Profession Tax

With a view to providing a new source of tax revenue to the local bodies for developmental works, the powers of collecting Profession tax have been given to them with effect from 1-10-2006.

In pursuance of the provisions of the Profession Tax Act, the local bodies, at the present, collect and credit the Profession tax in the Consolidated Fund of the State. The State Government, thereafter, releases the amount so credited as "collecting charges" to the local bodies.

The revenues of the local bodies have increased after powers have been delegated to them with effect from 1-10-2006. Encouraged by the response, the State Government has decided, barring certain exceptions, to delegate powers to local bodies ***to levy, collect and retain*** the Profession Tax. This decision would now enable the local bodies to levy Profession Tax and also to retain the revenue receipts in their own local fund. As a result of this delegation, the local bodies would directly receive revenue to the tune of about Rs. 120 crore.

A Bill, proposing necessary amendments in The Gujarat State Tax on Professions, Trades, Callings, and Employments Act, 1976, will be presented in the House during the current session.

Additional Tax

The State Government has decided to give priority to development of Human Resources. Infrastructural development is necessary for the balanced economic and social growth of the State. To accelerate the process of development, more financial resources will be required in the Consolidated Fund of the State. In order to raise additional financial resources, I propose to impose an Additional Tax, in addition to the existing Value Added Tax being levied on the sale of goods in the State.

As per this proposal, there will be an addition of one paise in the rupee, in the tax rate of goods, which are being taxed at the rate of four paise in the rupee presently under the Value Added Tax Act. Similarly, there will be an addition of 2.5 paise (Two and a half paise) in the rupee in the existing tax rates of other taxable goods.

Tax credit shall be allowed on Additional Tax also in accordance with the provisions of the Value Added Tax Act.

Additional Tax shall not apply to Petrol, Diesel, Declared Goods, Exempted Goods, etc.

A Bill proposing necessary amendments in the Gujarat Value Added Tax Act, 2003 will be presented in the House during current session.

Conclusion

The final position of Budget Estimates for the year 2008-2009 will be as under:

(Rupees in crore)

Deficit as per Budget Estimates.	(-)	876.20
Proposed transfer of Profession Tax to local bodies.	(-)	120.00
Additional Tax	(+)	880.00
Estimated Overall Deficit	(-)	116.20

Our attempts will be to reduce the estimated overall deficit through reduction in the non-developmental expenditure, economy measures in administration, effective recovery of tax revenues and increasing non-tax revenues.

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