Do You Know That ?

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ECONOMICS

1. Poverty Line

At 1984-85 price, the poverty line was Rs. 107 per capita per month in Rural areas and Rs. 122 per capita per month in Urban areas.

2. Rise in India's national income

India's national income in 1984-85 at constant prices was estimated at Rs. 57,014 crore as against Rs. 55,100 crore in the previous year, showing a rise of 3 5 per cent.

Estimates released by the CSO (Central Statistical Organisation) on Jan. 28, 1986 show that at current prices the national income for 1984-85 worked out to Rs. 1,73,207 crore as against Rs 1,57,830 crore in 1983-84. The constant prices have 1970-71 as the base.

The per capita income in real terms was estimated at Rs. 772 as against Rs. 761 in 1983-84, registering an increase of 1.4% during 1984-85. The per capita income at current prices worked out to Rs. 2,344 in 1984-85 as against Rs. 2,180 during the previous year.

3. Long-term fiscal policy

The Union Government's long term fiscal policy was presented to the Parliament by the Finance Minister, Mr. Vishwanath Pratap Singh, on December 19, 1985. The features of the long-term fiscal policy statement in brief are :

(a) Since frequent changes in the tax structure are a source of uncertainty and discourages tax compliance, creates difficulties for effective tax administration and takes its toll of economic growth, the government intends to keep the present rate schedules of taxes or personal income and wealth unchanged for a minimum period of five years. However, the Government will review the impact of inflation on effective rates of taxation once every 2 or 3 years.

(b) In view of the importanoe of savings for maintaining the growth momentum of our economy, the Union Finance Ministry announced the second series of the National Deposit Scheme on December 30, 1985 under which deposits would be for a period of four years and the interest rate 10.5 per cent. Interest compounded half-yearly will be paid alongwith the principal amount at the time of maturity or as premature encashment. For claiming income-tax exemption under section 80L of the Income Tax Act, 1961, certificates of interest accrued would be obtaininable by depositors from the banks at which the deposits are made.

(c) Simultaneous with the abolition of investment allowance, with effect from 1st April 1987, a new scheme will be introduced, and the deduction under this scheme will be restricted to 20 per cent of the profits that would be otherwise taxable. To guard against abuse, plant and machinery acquired with funds withdrawn from these deposits will not be allowed to be transferred within a period of eight years, unless the sale proceeeds are reinvested in new plant and machinery or funded back with IDBI.

The rates of corporate taxation will not be reduced further. However, the surcharge and surtax will be abolished, with effect from the assessment year commensing from April 1, 1987.

(d) Consequent with the withdrawl of Investment allowance the minimum tax provisions embodied in Sec. 80VVA of the Income Tax Act, 1961, will be abolished.

(e) The measures adopted to rationalise the scheme of taxation of capital gain are : one, to advance the date for revaluation of assets acquired long ago for purposes of computation of capital gain to 1st April 1974. Second, there will be only two rates for deduction of long-term capital gains viz. 50 per cent for gains from real estate and 60 per cent for other assets.

(f) Another decision is to put through a programme of modified value added tax (MODVAT). The objective of shifting the effective burden of excise taxation away from inputs and on the final product has been central to the Government's objectives of tax reform.

(g) The new fiscal policy also proposes closer co-ordination between tariff policy and policies regulating import licencing. It take care to ensure in its proposals for restrucuring the customs duties, that the transition to the desired rates is phased over several years to avoid undue disruption of domestic industry.

Balance of Crisis

India is heading for a record trade deficit, to date, in the year that will end on March 31, 1986.

Data released officially so far relating to the first five months of 1985-86 are clearly disturbing. Imports have risen to Rs. 7,566 crore this year from Rs. 6,054 crore during the corresponding period last year (up by 25%) and exports have fallen to Rs. 3,763 crore from Rs 3,896 crore (down by 3.4%). The resultant trade deficit shows a dramatic rise to Rs. 3,803 crore this year from Rs. 2,158 crore over the corresponding period last year (up by 76.2%).

MRTP Act Relaxed

The Monopolies and Restrictive Trade Practices (MRTP) Act, introduced in 1969 to curb concentration of economic power and unfair trade practices, will soon be a thing of the past, if the recent pace at which this legislation is being diluted can be taken as an indication.

The reason offered for reducing the MRTP controls is that during the 16 years or so of these controls, big industry did not expand or was faced with unsurmountable procedural difficulties.

An interesting feature of the changes in the Act is that the Govt. is not scrapping the Act or any of its provision, but is introducing list of industries and other conditions that effectively exempt virtually all the big houses from the applicability of the Act.

In his 1985-86 Budget speech, the finance minister, Mr. V.P. Singh, announced the following exemptions/relaxations :

(1) The exemption limits on all assets (for applicability of the MRTP Act) to be raised from Rs. 20 crores to Rs. 100 crores. This means that big houses with assets less than 100 crores would not attract the provisions of the MRTP Act.

(2) The Govt. decided that 27 industries should not be subjected to the provisions of the MRTP Act. In other words, investment in these 27 industries by MRTP companies would be allowed without any restrictions imposed under this Act.

(2) Later the Govt. also delicensed 22 of these 27 industries for MRTP and FERA Companies.

(4) Simultaneously with the above step, the Govt. withdrew the "market dominance" concept for already dominent companies utilising the liberalised capacity re-endorsement scheme.

With all these changes, the only feature remaining in the MRTP Act as it was introduced in 1969, is the concept of interconnection. According to this concept, any unit controlled or promoted by another MRTP Company will automatically come under the Act, even if its assets are below Rs. 100 crores or its market dominance is less than the stipulated level, i.e. the licensed capacity of the unit in question is less than one fourth of the industry's total installed capacity. However, it has been clarified at a recent colloquium that the Govt. would not like to apply the concept of inter-connection too strictly.