

# Speech

*Delivered by*

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H.Q.A., S.P.K., M.C.,

**GOVERNOR OF THE PUNJAB**

**AND**

**MARTIAL LAW ADMINISTRATOR, ZONE 'C'**

**ON JUNE 30, 1971**

**WHILE RELEASING**

**THE BUDGET OF THE GOVERNMENT OF THE PUNJAB**

**FOR 1971-72.**

I have the privilege of releasing for public information the budget of the Government of the Punjab for 1971-72, which has just now been authenticated. The eight volumes of budget documents that are being released today cover the details of receipts and expenditures during the year 1970-71 as well as the budget estimates for 1971-72. The White Paper contains a simple review of the budget.

2. Before going on to the budget estimates for 1971-72 it would be useful to review the budgetary position of the Province during the financial year that is ending today. The year 1970-71 has been a period of considerable strain for the economy of the country. The Province could not remain unaffected by events that had country-wide repercussions. To begin with the unprecedented havoc wrought by the floods and then the cyclone in East Pakistan caused a severe constraint on the finances of the Central Government which indirectly affected the Province. The General Elections which were followed by a period of uncertain conditions also tended to slow down the tempo of economic activity. The subsequent happenings in East Pakistan again affected the Province directly as well as indirectly. The net effect of all these adverse factors was a shrinkage in the resources available to the Provincial Government to finance its developmental and non-developmental expenditure.

**Non-Development Budget 1970-71:**

3. Revenue receipts during 1970-71 were originally estimated at Rs. 104.26 crore. The revised estimates place this figure at Rs. 104.22 crore. A reduction of Rs. 3.82 crore in Provincial Tax receipts has been counter-balanced partly by an improvement of Rs. 2.38 crore in Central tax

assignments and partly by higher than budgetted net Irrigation receipts (+ Rs. 1.03 crore) which were made possible by effecting savings in the working expenses of the irrigation system. The revised estimates of non-development revenue expenditure during 1970-71 stand at Rs. 83.65 crore as against the budgetted figure of Rs. 88.33 crore. We have done our best to economise on non-development revenue expenditure in order to protect the Annual Development Programme.

#### **Annual Development Programme 1970-71:**

4. The Annual Development Programme for 1970-71 envisaged a gross expenditure of Rs. 61.84 crore. Since the resources available for financing the Annual Development Programme were restricted to Rs. 52.15 crore, we started the year with a 10% cut on the gross Rupee provisions included in the Annual Development Programme. Revised estimates of resources available for financing development expenditure during 1970-71 stand at Rs. 42.76 crore. Although an effort has been made to restrict expenditure within the available resources it is estimated that it will exceed Rs. 44.00 crore. In this connection it may be mentioned that development expenditure has had to be curtailed not because of any shortfall in the Provincial Contribution but because of shortfalls in Central Assistance for Annual Development Programme financing. In fact our contribution has increased from Rs. 14.61 crore to Rs. 15.89 crore whereas the figure for Central Assistance has changed from Rs. 37.54 crore to Rs. 26.87 crore.

#### **Non-Development Budget 1971-72:**

5. On the basis of the existing taxes, our revenue receipts for 1971-72 are estimated at Rs. 111.00 crore. The non-development revenue expenditure for 1971-72 is estimated at Rs. 104.01 crore, 24.3% higher than the

revised estimates for 1970—71. The major components of revenue expenditure are:—

Education	Rs. 30.37 crore
Debt Services	Rs. 17.44 crore
Police	Rs. 6.80 crore
Communications & Works	Rs. 5.61 crore
Health	Rs. 5.53 crore
General Administration	Rs. 4.92 crore
Wheat Subsidy	Rs. 4.14 crore
Agriculture	Rs. 3.97 crore
Pensions	Rs. 3.60 crore
Forests	Rs. 2.62 crore

A provision of Rs. 4.25 crore has been made for the Contingency Item in order to accommodate the extra expenditure which may have to be incurred as a result of the recommendations of the Pay Commission and the Police Commission and to meet unforeseen expenditure of an emergent nature.

6. Past experience has shown that it is un-wise to squeeze non-development revenue expenditure beyond a certain stage. Otherwise schools tend to remain without teachers, hospitals without medicines and roads and buildings fall into a state of dis-repair. An attempt has, therefore, been made to provide adequately for such expenditure during the next financial year. A revised yardstick has been adopted for allocating funds for the maintenance of roads. A special allocation of Rs. 40 lac has been included in the budget for special repairs to

Government offices and buildings. An additional provision of Rs. 39 lac has been included for the purchase of medicines for the Government hospitals and dispensaries. The intention behind these conscious increases in expenditure is to make optimum use of the existing facilities and to provide better services to the common man.

7. Here I would like to mention that the Provincial Government continues to attach the highest importance to the needs of education, especially primary education. This would be apparent from the fact that during 1971-72, non-developmental expenditure on education will be 34.4% higher than the revised estimates for 1970-71 and will account for 29.1% of the total outlay on non-development expenditure.

8. Expenditure on health will also rise by 24.8% as compared to the revised estimates for 1970-71. Increased emphasis on the Social Sectors is in line with the strategy of the Fourth Five Year Plan.

#### **Annual Development Programme 1971-72:**

9. The gross size of the Annual Development Programme of the Punjab for 1971-72 has been determined as Rs. 50.00 crore. The net size of the Annual Development Programme will be Rs. 42.21 crore after allowing for an operational shortfall of Rs. 7.79 crore. The over-all size of the Annual Development Programme for 1971-72 is smaller than that for 1970-71 despite the fact that Punjab's share in the allocation for the West Pakistan Provinces works out to 56.4% for 1971-72 as compared to the 52.9% that we received during 1970-71. This is because the divisible pool of Central resources for financing the Central and Provincial Annual Development Programmes has become smaller on account of the factors mentioned by me

earlier. The Sectoral break-down of the 1971-72 Annual Development Programme is as follows:—

<i>Sector</i>	<i>Gross Provision</i>
(1) Transport & Communications	Rs. 10.00 crore
(2) Education & Training	Rs. 9.00 crore
(3) Agriculture	Rs. 6.40 crore
(4) Health	Rs. 6.20 crore
(5) Physical Planning & Housing	Rs. 6.30 crore
(6) Water	Rs. 2.80 crore
(7) Rural Works Programme	Rs. 2.50 crore
(8) Social Welfare & Manpower	Rs. 0.55 crore
(9) Industries	Rs. 0.25 crore
(10) Block provision for second priority schemes	Rs. 6.00 crore
Total ...	<u>Rs. 50.00 crore</u>

10. In preparing the Annual Development Programme for 1971-72 priority has been given to the on-going schemes which are nearing completion. This has been done in order to derive the benefits of past investments as early as possible so that Plan targets for growth of income and production can be protected to the maximum extent possible in the face of reduced resources. Priority has also been given to the needs of the less developed areas of the Province and to the requirements of the Social Sectors. Adequate Rupee cover has also been provided for the aided schemes to enable full utilisation of the available foreign aid.

11. The resources available for financing the next year's Annual Development Programme are estimated at

Rs. 42.21 crore. This figure includes Punjab's share of Rs. 32.10 crore out of the divisible pool of Central resources. The balance of Rs. 10.11 crore represents the additional effort of the Provincial Government. We are making this sizeable effort primarily because of the decision of the National Economic Council that additional effort made by any Province either by exercising economies in its non-development expenditure or by raising additional resources will not form a part of the divisible pool of Central resources but will be available to that very Province for financing its own Annual Development Programme. As a consequence of this decision we have economized on non-development expenditure to the maximum extent possible. In effecting such economies, we have tried to protect the interests of the common man. We have not, for example, imposed any cut on the wheat subsidy as this would have increased the price of Atta for the poorer sections of society. In view of this consideration, economies in non-development expenditure have not been large enough to dispense with the need for additional taxation. The additional effort being made by us, therefore, involves additional taxation of Rs. 4.25 crore.

12. Before going on to the details of the new taxation measures, I would like to mention that we are conscious of the need for improving the collection of existing taxes. We are doing our best to gear-up the collecting agencies to minimise the additional taxation effort required for protecting the fairly modest targets of our Annual Development Programme. Everyone should realize, however, that in the present circumstances it was not possible to avoid additional taxation. We have nevertheless taken care to ensure that the additional taxes are levied on those that have the capacity to pay and that they do not burden the man of modest means. Thus, wherever the rates of taxes have been revised upwards an attempt has been made to protect the smaller man against the increase in taxation.

**Additional Taxation for 1971-72:**

13. I would now like to describe briefly the additional taxation measures that I have approved for 1971-72:

- (i) The rates of electricity duty are being increased from half a Paisa per unit to one and a half Paises per unit in the case of agricultural and industrial consumers and from two Paises per unit to two and a half Paises per unit in the case of domestic and commercial consumers. The various exemptions allowed from electricity duty are also being restricted. The first 20 units of domestic consumption will, however, remain exempt.
- (ii) Vend Fees on sales of Pakistan and foreign liquor are being increased by 75% and still-head duties on beer and spirits are being enhanced by 150%. A duty at the rate of 50 Paises per gallon is also being levied on alcohol used in any industrial process.
- (iii) The rate of entertainment duty on admission tickets above Rupee one is being increased from 50% to 75%. The rate of entertainment duty on admission tickets costing Rupee one and below would remain unchanged. The capacity system of taxation is being abolished.
- (iv) The rates of Road Tax on trucks, taxis and buses (other than those plying exclusively within municipal limits) are being increased, on average, by 15% and that on private cars by 20%. The rates of road tax on motor cycles, rickshaws and buses plying exclusively within municipal limits will remain unchanged.

- (v) Fees for issue and renewal of Driving Licences are being doubled and other fees leviable under the Motor Vehicles Rules, 1969 are also being revised upwards.
  - (vi) The House Tax levied by Municipal Committees and by the Lahore Municipal Corporation is being merged with the Urban Immovable Property Tax and the combined tax will now be collected by the Provincial Government. The combined tax will be levied in accordance with a slab system based on the annual rental value of the property. The present concession admissible to owner-occupiers is being modified but owners of property of annual value not exceeding Rs. 216, and widows and orphans owning property of annual value not exceeding Rs. 1,000, will continue to be exempt. Out of the gross collections within each Municipal area the Provincial Government will retain 5% as collection charges and the balance will be divided between the Government and the Municipal Committee concerned in the ratio 60 : 40.
  - (vii) The rate of betting tax is being raised from 10% to 20%.
  - (viii) The rates of agricultural income tax are being revised upwards. The exemption limit is also being lowered so as to include all those paying land revenue more than Rs. 200 per annum as assesseees but cultivators paying land revenue not exceeding Rs. 200 per annum will not be affected. The maximum rate of 7 times land revenue will now apply to those paying land revenue of Rs. 10,000 and above per annum.
14. In addition to the taxation measures that I have already enumerated, fees for issue and renewal of arms licences and cinema licences are being enhanced. Fees for

registration of Government contractors are also being increased. Miscellaneous charges recovered by the Health Department, which have remained static for several years, are also being revised upwards. Fees realized from private patients in Government hospitals will now be shared equally between the Government and the Doctors concerned.

**Relief:**

15. Now, let me come to the one item of relief—In order to encourage the export of cotton, the transportation fee on full pressed cotton bales is being abolished.

16. I may also mention that in line with the policy laid down by the Central Government, we have decided that the increments earned during the next financial year by officers drawing pay of more than Rs. 500 per month will not be disbursed to them in the form of cash. They will have the option either to increase their contribution to the Provident Fund or to receive the amount in the form of Savings Certificates.

17. In conclusion let me state that in preparing the budget and the Annual Development Programme for 1971-72 we have tried to keep the interests of the common man paramount. It is our constant and conscious endeavour to improve the quality of life for the average citizen through provision of better health and education facilities and improvement in other public amenities. It is my earnest hope that the policies we are adopting for the promotion of a more egalitarian society will find ready acceptance amongst those who have to bear the burden of the additional taxes.

PAKISTAN PAINDABAD.