

**Ref. No.- 24**

**January 25, 2021**

**Smt. Nirmala Sitharaman**

Hon'ble Union Minister for Finance & Corporate Affairs

Government of India

“A” Wing, Shastri Bhawan

Dr. Rajendra Prasad Road

NEW DELHI – 110 001

rmo@mod.nic.in,

fm@finance.nic.in

Respected Madam,

**SUB :SPECIFIC FEW SUGGESTIONS ON BIHAR FOR UNION BUDGET 2021-22**

Bihar is second largest state of the country in terms of population but it is far behind from many western and northern states on many fronts. This year is a dream year for the Bihar, as after a long wait, it has witnessed Governments both at state and center who are working for the development of the state and has paid special attention towards its overall development. Under the dynamic leadership of Honorable Prime Minister, Bihar has very long list of expectations from the forthcoming budget.

We are submitting **few Specific suggestions on Bihar for inclusion in Union Budget 2021-22** for your kind information and perusals:-

**1. TO DECLARE STATE AS “SPECIAL CATEGORY STATUS STATE”**

Bihar has historically suffered due to regressive Economic Policies and Public Investment decisions like:

- > Policies relating to Freight Equalization and Royalty on Minerals have contributed losses of thousands of crores.
- > The rivers originating outside the Nation cause repeated floods in the State, for which no control measures have been taken, resulting in huge losses year after year.
- > The state suffered Three Divisions and each time its economically developed areas have been taken away without any Compensation Packages.

**Contd...2**

- > Price & Procurement Policies have not taken care of the surplus grain production in Bihar, causing enormous loss to farmers.
- > Lack of Centre of Excellence in technical/management skill development.

On account of these policies, coupled with recent division, the State is not able to compete with others in attracting investment. It therefore needs special consideration and should be declared as “**Special Category Status State**” and introduce a policy package for Bihar on the pattern of the North-East Region policy to kick start development through tax/fiscal incentives for attracting investment in the state.

2. **RESTORATION OF SECTION 80IB (5) OF INCOME TAX ACT 1961 WHICH WAS WITHDRAWN W.E.F. 01-04-2014**

The Restoration of section would provide tax exemption for 3 to 5 years to new industrial units set up in 26 districts of Bihar.

3. **GAS PIPELINE TO CONNECT NORTH BIHAR**

For rapid industrialization in north Bihar It is essential to connect North Bihar by GAS Pipeline.

4. **Manufacturing Sector**: This is a known fact that Bihar is lacking behind on this front and in spite of tireless effort of Hon. Chief Minister, no major investment in this sector could be made by big corporates or multinationals. Now, keeping in view the population of the state, it is responsibility of the Govt. to create more and more job opportunities for the youths of the state and undoubtedly, manufacturing sector comes first in the list when it comes to job creation. To attract, more capital investment, following are the major demands in the forthcoming budget:

- > Tax Holiday of at least for first five years.
- > Capital Investment Subsidy by way of deduction from direct tax liability based on the total capital investment made by the unit except land cost.
- > Capital Investment Subsidy by way of deduction from indirect tax liability (CGST) based on the total capital investment made by the unit except land cost.
- > For the growth of Rural area, Capital Investment Subsidy Rate should be made attractive. It will not only stop migration of youth from their own place but will also reduce increasing population and traffic load on metro cities.

In the past railways had made JV arrangement with Alstom and General Electric to set up rail engine factory in Bihar. We suggest that few more such units should be planned in the southern and western part of the state under Atmanirbhar Bharat package to generate more employment opportunities to the youth of the state.

Similarly, ordnance factory was set up in the Nalanda district of the state. It has resulted in the infrastructural development of the area. We suggest that few more such units should be established in the different part of the state.

5. **Education Sector**: Bihari talent has always been discussed at various levels and it is a matter of pride for the state that in every position in Govt. offices, there is a Bihari IAS officer. Madam, this itself shows that state is full of talented young brains who are forced to migrate to other places as basic facilities such as recognized teaching universities, institutions are less in numbers and demand is quite high for admission in such institutions. Therefore the youth of Bihar is forced to migrate to other places, which is not only expensive due to increased cost of living but they are otherwise trapped in the net of private coaching centers. Madam it is high time to think about improvement of infrastructures of education sectors and in addition to the other benefits as may be provided to this sector by the central Government and we demand the following facilities in the forthcoming budget :

- > Complete Tax Holiday for setting up private colleges/educational institutions in the state first 10 Years.
- > Capital Investment Subsidy by way of deduction from direct/indirect tax liability, wherever applicable, based on the total capital investment made by these recognized institutions.
- > Special Tax deductions to teaching staff of these recognized institutions, who reside in the state for teaching the students of these institutions.
- > Research plays key role in the development of a nation. Our Hon'ble Prime Minister has also said on several occasions regarding importance of research. But in our country, we do not focus much on this sector. There are many areas which require more and more researches particularly in the area of medical, engineering, social engineering, poverty elimination, public money spending, book keeping and accounting in Govt. Sector and many more. We demand that the state should be allotted first Exclusive Research University of the country, as it will not only attract youths of the state but will also be helpful in driving one step ahead the intelligent brains of the state and will fulfill the dream of Honorable Prime Minister of "Atmanirbhar Bharat"
- > We are thankful to the Govt. for setting up one IIT in the state and demand one unit of IIM also in the state.

We are thankful to the Govt. for implementing new education policy, which focus more on the talent of the youth and nurture their career in the area of their interest. This will not only helpful for promoting the talent of a student but will also be helpful in providing them adequate employment opportunity and also to make some of them entrepreneur, who will generate employment for others. Start up and Stand up India scheme has already exhibited its potential in recent past.

6. **Healthcare Sector**: We are thankful to the Government for setting up a unit of AIIMS in the State Capital. It has proved a boon for the people of the state during this Covid-19 pandemic and saved many lives. We are thankful to the team of doctors and all staffs of the hospital for serving selflessly for the people of the state. We expect that further steps will now be taken by

the Government to expand its facilities and making it comparable to the AIIMS, New Delhi. Madam, per capita income of people of the State is much below the national average and standard of living of the common mass of the State is also not good due to therefore, they are more prone to infectious and communicative diseases which spread rapidly as the density of population is quite high. People are forced to go outside the State in case of such diseases, as facilities in the state is very poor particularly if it comes to handling emergencies. Keeping in view the requirement of the common man of the state, we have huge expectations from the Govt. on this front, few such expectations are as under :

- > Increasing facilities at the AIIMS, Patna.
- > Setting up/ Upgradation of Primary Health Centers at Panchayat Levels with minimum prescribed facilities.
- > Setting up/Upgradation of Emergency Health Centers at Block Levels with minimum prescribed facilities.
- > Setting up of smaller units like AIIMS at the District Level.
- > Promote private investment in this area, by way of several tax incentives.
- > Special Tax Incentives to Doctors/Nursing Staffs working in these institutions in the state.

7. **Tourism Sector**: Bihar is blessed with many great names at different places, Mahatma Gandhi with Champaran, Guru Gobind Singh ji with Patna Saheb, Gautam Buddha with Bodhgaya and other places of Buddha Circuit, Mahavir with Vaishali and other places of Jain Circuit, Shershah with Sasaram, Sufi Sant with Maner, SamratAshoka, Chanakya, Aryabhata, Dr. Rajendra Prasad and many more. Pioneer educational institution like Nalanda University, Vikramshila University are pride of the State. There is very wide scope of tourism development in the state as it is blessed with golden history and we are quite hopeful that promoting this sector with special incentives and improvement on infrastructure outlay will not only encourage youth of the Bihar by creating more and more job opportunities in this area but will also be helpful in growth of retail business in the state with increased no. of tourists. For improvement of tourism in the state, in additions to other benefits as may be provided by the Government, our expectation and demand in the forthcoming budget are as under :

- > Promote setting up Hotel Industry, as there is not even a single five star category hotel in the state, by way of Direct and Indirect Tax Holidays for at least five years.
- > Improve infrastructure of LoknayaKJaiprakashNarainAirport in the shortest possible span of time.
- > Speed up the work at proposed International Airport at Bihta.
- > Improve Infrastructure and connectivity of Gaya Airport.
- > Start flying from Muzaffarpur, Purnea, Bhagalpur and other possible places of the state.
- > Building Bridges, roads covering tourist destinations on as emergency basis.

8. Apart from above sector specific expectations, we expect few other facilities for overall growth of trade and commerce in the state :

**Goods and Service Tax**

- > Compliance of GST is being difficult and costly for many small business houses due to lack of infrastructure facilities, poor internet connectivity, lack of availability of knowledgeable consultants etc. particularly in the rural and/or sub-urban areas. We expect more support from the Government to make people tax compliant in the state, few of them are listed as below:
- > Concept of **GST Mitra** should be introduced at Panchayats, Blocks and District Levels having at least one such “Mitra” at every Panchayat, at least “Two” at Block levels and at least “Five” at district level. This may be done on the PPP mode with a small financial support from the Government.
- > Full Accounting software for traders should be developed and given to every registered taxable person free of cost. Software should be designed in such a manner that mere uploading of data will be sufficient and fulfill the requirement of furnishing returns.
- > These small businesses may be incentivized by way of small cash back to their account for timely compliance of GST. Previously State VAT was also allowing rebate to such tax payers but this was restricted to 0.5% for all tax payers with maximum ceiling of Rs. 50000/- per year. We request reintroduction of this concept with cash back of at least 5% of tax paid by such tax payers with maximum ceiling of Rs. 1 Lakh per tax payer.

Setting up and start functioning of Goods and Service Tax Appellate Tribunal in the state without any further delay.

**Allow revision of GSTR-3B.**

Reduce the compulsion to purchase at least 80% of goods/services by builders or developers from registered persons, as this has resulted in reduced income of labours employed in the industry. Now most of the real estate companies are procuring manpower through contractors, who keeps their profit margins and pass only marginal amount to daily labours.

It was promised by the Government at the time of implementation of GST that it will be One Nation One Tax with seamless flow of credit across the country. But few controversial provisions of the statute is against the concept of the GST and has threatened entire business. Restrictions on input tax credit under Rule 36(4), Compulsory cash payment under Rule 86B, Time limit for taking credit under section 16(4) and harsh provisions of section 129 are few of those, which require your immediate attention. Now a days, huge no. of notices are being issued by the GST officials, thereby receiving irrelevant information again and again, sometime different offices enquire same issue from businessman and issue show cause notices without any basis. Preparation of reply and submission of bunch of documents are not only time consuming but also costly as businessmen have to take services of the professionals. We request that provision should be made in the statute itself to restrict the officials to issue more than one notice for any tax period. Moreover, Government should keep track of orders issued by the offices, which is dropped by the appellate authorities, in order to judge the performance of the officials.

**Under Direct Tax**

Madam, newly inserted provisions of TCS, particularly u/s 206C(1H) has caused undue hardship, as its compliance cost is very high, keeping in view the volume of transactions. Therefore, we request you to remove this provision immediately. If, for any reason, it is not possible, then we request you to modify the provisions suitably so that at the year end a consolidated collection of Tax at source from such persons may be allowed.

We are thankful to the Govt. for permitting additional margin of 10% from stamp duty for residential units to boost the demand of real estate housing sector, we request to extend this relaxation to commercial real estate also. Further, Stamp duty is state subject and in many cases it has been fixed arbitrarily by the State Government and also cost of proportionate share of the land is further added to this, which raises the stamp duty value above the actual price of the property. In some area this gap is approx. 40%, therefore, we request you to make suitable provisions where a buyer can get it valued by the authorities or registered valuers at the time of purchase to avoid future litigations.

New tax regime for domestic companies under section 115BA/115BAA/115BAB is really praiseworthy and we expect will soon give boost to the GDP. We request that this benefit may kindly be extended to partnership firms and LLPs.

9. In Bihar the scheduled Commercial Banks are supposed to play an important role in the economic and industrial growth of Bihar but as there is no head office of any scheduled commercial Bank situated in the State of Bihar and for development of Bihar it is requested to establish Head office of any scheduled Commercial Bank in the state which will enhance the economic development of Bihar as this State has a very poor CD ratio when compared to the National level though deposits are higher than the other States.
10. There is urgent need for setting up a National Company Law Tribunal (NCLT) Bench and Bench of Income Tax Settlement Commission (IT) at Patna having regard to the larger interest of Trade Commerce and Industries of the state of Bihar and Jharkhand and facilitate establishing of a Bench of NCLT and Bench of Income Tax Settlement Commission (IT) at Patna and providing justice at the nearest point to save time, money and energy for settling disputes.
11. The Amritsar–Delhi–Kolkata Industrial Corridor is a proposed economic corridor in India. It is an ambitious project aimed at developing an Industrial Zone spanning across seven States including Bihar and it is requested to approve financial assistance in this Budget for development of two thousand acre Industrial township along the route of this corridor in Bihar.

With regards,

Yours faithfully,

**P.K. Agrawal**  
President