

34 of Insurance Act, 1938 has directed all insurers to manage their investment portfolios in-house through an investment Committee of the respective Board and not out-source the same. As per Regulation 9(1) of IRDA (Investment) Regulations, 2000, the Investment Committee, shall consist of minimum of two non-executive directors of the Insurer, the Principal Officer, Chiefs of Finance, and Investment divisions, and wherever appointed actuary is employed, the Appointed Actuary. The insurers have also been advised to terminate the out-sourcing agreements and transfer the functions "in-house" latest by 31st December, 2004.

(d) So far as life and non-life public sector insurance companies are concerned, they are governed by the Insurance Act 1938 and IRDA (Investment) Regulations, 2000 as amended from time to time.

Introduction of VAT

461. SHRI RAJKUMAR DHOOT: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government have decided to off-set the losses suffered by State Governments on account of VAT introduction;

(b) if so, the details thereof; and

(c) the annual financial burden on the Central Government, State-wise?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Yes, Sir.

(b) Central Government would provide 100% compensation of the States in the year 2005-06, 75% in the year 2006-07 and 50% during 2007-08 for loss, if any, on account of introduction of VAT.

(c) State-wise annual financial burden on the Central Government shall be known only after VAT is actually implemented by the State Governments.

Sales tax on petroleum products

462. SHRI M.A.M. RAMASWAMY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that due to high sales tax on petroleum products, the prices of petroleum products in different states are different;

(b) if so, whether it is also a fact that higher sales tax on petroleum products is one of the reasons for higher inflation;

- (c) if so, the rates of sales tax in different States, State-wise;
- (d) whether the Central Government have taken the issue of levying lower sales tax by State Governments on petroleum products;
- (e) if so, the details thereof; and
- (f) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) As per Entry 54 of List II (State List) of the Seventh Schedule to the Constitution of India, tax on sale or purchase of goods within a State is a State subject. Hence, due to different rates of sales tax levied by different State Governments on petroleum products, it is possible that the prices of petroleum products in different States are different.

(c) As tax on sale or purchase of goods within a State is a State subject, Central Government does not collect and maintain rates of sales tax on petroleum products in different States.

(d) and (e) Minister of Petroleum and Natural Gas has requested the State Chief Ministers and the Chairman of the Empowered Committee of the State Finance Ministers to reduce/maintain sales tax rates on petroleum products, especially petrol and diesel, at their earlier agreed uniform floor level with a view to containing the impact of high international prices on the domestic consumer prices of these products.

(f) Does not arise in view of reply to part (d) and (e) above.

Fake currency notes

463. SHRI EKANATH K. THAKUR: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that despite the Reserve Bank of India (RBI) making it mandatory for banks to instal ultra-violet lamps to detect fake notes, counterfeit notes increasingly continue to be circulated in the market;

(b) whether it is also a fact that according to the official statistics, as much as 76 per cent of the total cash value in the country is at risk, because 76 per cent of the 480 crores of notes currently under circulation are of Rs. 500 and Rs. 1,000 denominations; and

(c) if so, the action Government propose to take in this regard?