

MR. SPEAKER: I am sorry. It is with advance notice.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Mr. Speaker, Sir, I am deeply grateful to the hon. Members who have taken part in the debate in the last two days.

PROF. P.J. KURIEN (MAVELIKARA): Sir, what about my personal explanation?

MR. SPEAKER: I am sorry. Prof. Kurien wanted to give some explanation. The Minister may speak after it.

Prof. Kurien, you tell your point in just one minute.

12.16 hrs.

PERSONAL EXPLANATION UNDER RULE 357

PROF. P.J. KURIEN (MAVELIKARA): Thank you, Sir. Day before yesterday, while the hon. Finance Minister was replying to some of the points which I raised, Finance Minister made some remarks which, I know, are off the cuff remarks. However, since they are not in conformity with facts, I thought that for record's sake I must correct it. I am quoting from what he said.

"SHRI P. CHIDAMBARAM: I have invited him to meet with the Member (Customs) and Member (Budget)."

'He' means me. He said: "The file is being shown to him contrary to normal rules of the Government". I did not see any file neither I asked for. He said: "Yet if Prof. Kurien does not understand the basic facts there is nothing I can do to help him. He will call me at midnight". I never called him at midnight. Yes, I called him at 10.45 p.m. ...*(Interruptions)*

MR. SPEAKER: I do not know whose watch went wrong.

PROF. P.J. KURIEN: I am only requesting that we should give him a good watch. That is my submission.

He said: "He will call me at 5.00 in the morning". I never get up at 5 a.m. I get up at 6 a.m. only. ...*(Interruptions)*

MR. SPEAKER: I think it is okay now.

PROF. P.J. KURIEN: Sir, I called him only at 7.45 a.m. And then he said he could charge me that I am lobbying for industries.

Sir, I am taking pride for lobbying for the small scale growers and small scale industries. My point was only that the small scale growers of rubber in Kerala cannot sell their latex because the buyers, who are small scale industries producing rubber foam, are crippled because of competition from synthetic material. My only request and my earnest request to the hon. Finance Minister is only one thing. I have no quarrel with him. My earnest request on behalf of these small rubber growers and these small scale industries is: please give some relief, at least five per cent excise duty relief to these small scale industries. If you are not convinced, please announce that you will consider and then come and see whether these rubber growers are facing problem or not. Please come and see the situation.

MR. SPEAKER: I think that is enough.

PROF. P.J. KURIEN: This is my earnest appeal. I request him, through you, to please protect us. Please use your good offices. Thank you.

MR. SPEAKER: The Finance Minister is a person that if he wants to do he will do it in one appeal.

PROF. P.J. KURIEN: Sir, I thank you very much for giving me this time.

[English]

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.P. VEERENDRA KUMAR): Sir, he should get up before 5 a.m. ...*(Interruptions)*

SHRI P.C. THOMAS (MUVATTUPUZHA): Sir, I appeal to the hon. Finance Minister to give some excise duty relief with regard to use of latex rubber for small scale industry. ...*(Interruptions)*

MR. SPEAKER: I think it is enough. Let the hon. Minister reply.

12.19 hrs.

FINANCE BILL, 1997-CONTD.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Mr. Speaker, Sir, I am deeply grateful to the hon. Members who have participated in this debate over the last two days. Even while criticising some aspects of the Finance Bill, even while pointing out what they believe are errors and departures from good policy, I note with some satisfaction that they broadly support the direction and thrust of this Budget and which is reflected in the Finance Bill.

I am grateful to the Leaders of the parties who led the discussion and who spoke at great length like Dr. Murlu Manohar Joshi, Shri Nirmal Kanti Chatterjee, Dr. Debi Prosad Pal and all other Members who made very valuable suggestions.

The Finance Bill only reflects the legislative changes that are required to implement the Budget. The Budget itself was discussed extensively and I have already replied to the Budget discussion. Naturally, there will be some overlap between that discussion and this discussion. There is, of course, a time interval which results in such a overlap in the two discussions. There is also the political crisis which overtook us for 30 days which means that we tried to go back to what we fairly were prior to March, 30 and tried to revive the continuity of the Government of India.

Specific suggestions have been made about specific issues, both of indirect taxes and direct taxes. Normally, the Finance Minister receives hundreds of representations. This year also we received a large number of them, but I am told by my office that the number is much smaller than in the previous years which are being scrutinised.

[Shri P. Chidambaram]

Secondly, as I took pride to mention, we introduced the innovation of post-Budget consultations. These post-Budget consultations gave an opportunity to exchange views and to understand each other's point of view and try to find a meeting ground on some issues. Wherever it is possible to concede to the points raised by hon. Members, I have in fact made these concessions and, in fact, Rs. 111 crore worth of concessions have been announced both in Excise and Customs. I have also accepted a number of suggestions on the taxation proposals and the legislative proposals. Yet a large number of complaints will remain. The best example is, of course, the one put forward by Prof. P.J. Kurien a few minutes ago. How does the Finance Minister respond to this? I believe he should respond to this rationally based on facts which can stand challenge, both inside the court room and outside the court room. We cannot act arbitrarily. Every decision must be based on economic rationale plus, of course, any other relevant considerations like social necessities, political necessities and even sometimes regional aspirations. But the fundamental consideration must be an economic rationale for taking a decision. A few minutes later, I will deal with the specific issue raised by Prof. P.J. Kurien as illustrative of a situation where an hon. Member of Parliament puts himself in a position which is squarely opposed to what the Government has decided for the time being and charges the Government or the Minister being completely unresponsive. I want the hon. Members to ponder over how such a situation should be resolved. I think, I am resolving it in the only manner that it should be resolved. But I will place the facts before the House to decide whether the kind of response which the Minister gives to a demand of that kind, is correct or not. Let the House decide whether I am fair or unfair, partial or impartial, just or unjust. But that is for the latter part of my intervention.

First to deal with some matters relating to direct taxes, in direct taxes, as I said, none of the political parties which met me raised any serious objections except one political party which said that the top rate of duty should remain 40 per cent and that it should not be reduced. I have explained why I am unable to accept that suggestion. I said this when I presented the Finance Bill day before yesterday. I believe that India's rates must be competitive with Asian rates.

I believe that is necessary to promote domestic investment, to encourage domestic entrepreneurship, to encourage domestic capital formation and to encourage people to invest more in industries.

Since 1994-95, there has been a sluggishness in India's economic growth. The 7.2 per cent that we saw in 1994-95 was as a result of earlier reform measures. But as the Economic Survey points out, since 1994-95, there has been a slowing down resulting in a tight money situation, very high interest rates and a sharp decline in investment. I am not blaming anyone for this. But in 1996-97, when this Government came into office, it was faced with this problem of tight money, high interest rates of about 21 or 22 per cent, PLR was 18 per cent and the sharp slow

down in investment. The disbursements of financial institutions picked up. But the new sanctions slowed down. What we have done has brought about a qualitative change. The tight money situation has virtually vanished. Interest rates have started moving down. PLR today for most banks is 14 per cent. I believe, now investment will pick up. It is at this point of time that we need to give a big boost to those who can save and those who can invest. I respectfully submit that the best savers in India are the households. Their savings rate is close to 18 per cent. Private savings rate in India is about 23 per cent. Public Sector savings rate is very very modest and the Government sector dis-saves. Therefore, we must encourage savings and the best way to encourage savings is to tax less leaving more money in the hands of people who can save and invest wisely. I believe the trend that was commenced in 1991 of lowering tax rates is a correct approach. Give an opportunity to what I have tried this year. Let us see its impact on direct revenues and we can always make corrections, if necessary.

A question was raised about double taxation of dividends. I am not entering into a philosophical argument whether it is double taxation or not. That is not the point. Shri Nirmal Kanti Chatterjee can put forward a powerful argument that it is not double taxation; one income is earned by the corporate and one income is earned by the individual. How can it be double taxation? Purely as a theoretical proposition that is right. But that is not the way the taxes are looked upon by people. The question is: what do most Members of Parliament see in the case of taxation of dividend? What do most people see? What they see is, here is a corporation which has made profit. It has paid a corporate tax. When that part which is retained by the corporation is distributed as dividend, why should it be taxed again? The popular view of it is the same income is being taxed twice. The sense that I got last time, the sense that I get this time is that an overwhelming majority of Members of Parliament thinks it is double taxation, whatever the meaning of the word "double" there is and that the taxation should go. I have conceded that point. I think the debate which has been going on for the last seven or eight years must end here once for all.

Then, the question arises: what about Mutual Funds and the UTI? I think the point is raised by Dr. Murli Manohar Joshi. The point is valid. If UTI and the Mutual Funds were only distributing dividend income which they receive from their investments, the point is valid. But the facts are otherwise. Take the UTI, for example. The UTI has three kinds of income: one is from dividends from its investments on shares of other companies; the other is interest income from fixed instruments and the third is capital gains. It is nobody's case that the capital gains part should not be taxed. It is nobody's case that the interest income should not be taxed. So, what is the proposition? We did some analysis and what we found in the case of the UTI is that 92 per cent of the UTI's income which is distributed to the unit holders comes from capital gains and interest. It is only eight per cent which comes from dividends which it receives from shares held by it. Therefore, if I exempt

all that income from further taxation, it would mean exempting the capital gains, exempting interest and that is not, I believe, the argument which found favour while we exempted the dividend income.

I think so long as UTI, Mutual Funds' income composition—at least UTI's composition of income—remains, as I said, as it is, there is no case of extending that benefit to dividends distributed by UTI or by Mutual Funds.

A point was raised about the Sick Industries Act and why should MAT apply the moment it comes out of the sickness. I think it is an inadequate understanding of the provisions. A company declared sick under Section 17 is out of the purview of MAT. It becomes liable to MAT only when its net worth becomes equal or exceeds the accumulated losses. Under the present proposal MAT will not apply until all the book losses are wiped out. Only when the company returns a book profit, MAT would become applicable. Therefore, merely because its net worth equals or exceeds the accumulated losses, it will not become liable to MAT unless it is able to wipe out all the accumulated losses and it returns a book profit. So, I do not think there is any serious problem in the way MAT is Structured regarding sick industries.

Dr. Joshi raised a point about allowing income-tax practitioners the same facility as Chartered Accountants for the purpose of certain certification. In fact, as the Income Tax Act stands today, accounts have always to be certified only by a Chartered Accountant. An income-tax practitioner is allowed to appear before the authorities, but if he presents accounts, those accounts must be certified by a Chartered Accountant. In fact, there is no provision in the Income Tax Act today which allows anyone other than a Chartered Accountant to certify the accounts. Therefore in the retail trade estimated income that we have introduced where we say that the accounts must be certified by a Chartered Accountant, that is consistent with the existing provisions. An Income Tax practitioner can appear and argue the matter; but if he carries a certified account, that account must be certified by a Chartered Accountant. It is consistent with the existing provision.

DR. MURLI MANOHAR JOSHI (ALLAHABAD): Can you expect a small retail shop keeper to obtain certificates of a Chartered Accountant in all small towns? There is the system of having mercantile accounts and cash accounts.

SHRI P. CHIDAMBARAM: The principle is whether accounts can be certified by anyone other than a Chartered Accountant.

DR. MURLI MANOHAR JOSHI: But you must look into the basic conditions of this country. How can you ask a person who deals in cash accounting to keep his accounts on the basis of mercantile accounting?

SHRI P. CHIDAMBARAM: I have understood the point. That is a different point.

SHRI NIRMAL KANTI CHATTERJEE (DUMDUM): If you create unemployment among Chartered Accountants, the problem would be solved !

SHRI P. CHIDAMBARAM: The method of accounting is a separate issue. Whatever is the method of accounting, it is a sound principle that accounts have to be certified by a qualified Chartered Accountant.

DR. MURLI MANOHAR JOSHI: You have therefore to modify your income-tax laws also in cases where there are cash accounts. You cannot expect a person to get them certified by a Chartered Accountant. It is very very difficult. It is highly impractical, it will only lead to harassment and corruption.

SHRI P. CHIDAMBARAM: It is quite right. Until 1.4.1997 both kinds of accounting were allowed—mercantile accounting as well as cash accounting. In both cases Chartered Accountants were certifying. There is no ground to believe that a Chartered Accountant cannot certify accounts which are maintained on cash basis. In fact, they are. ...*(Interruptions)* I heard him say that cash accounting cannot be certified by a Chartered Accountant. Earlier he said about retailers as to how they can go to a Chartered Accountant. My answer is there are any number of young Chartered Accountants, any number of people starting their careers and they will surely find a Chartered Accountant to certify those accounts. But the principle whether accounts should be certified by anyone other than a Chartered Accountant is I think a great principle.

SHRI HARIN PATHAK (AHMEDABAD): They cannot afford to go to a Chartered Accountant. That is the contention. Because they are so small, they cannot afford to go to a Chartered Accountant. Their fees are very high.

SHRI P. CHIDAMBARAM: I have understood the point. Please understand my answer. ...*(Interruptions)*

MR. SPEAKER: I think he has understood it. You do not have to repeat it again and again.

SHRI P. CHIDAMBARAM: I do not agree. With great respect, I do not agree that a small businessman or a small retailer cannot go to a Chartered Accountant.

SHRI HARIN PATHAK: He cannot afford to go to him.

SHRI P. CHIDAMBARAM: I do not agree that he cannot go to a Chartered Accountant, either. There are any number of Chartered Accountants; there are any number of people who start their careers. There are income tax practitioners and lawyers. There are young lawyers who start their careers; and there are young Chartered Accountants who start their careers.

SHRIMATI SUSHMA SWARAJ (SOUTH DELHI): You may not agree, but the ground reality is this, about which Dr. Murl Manohar Joshi has said.

SHRI P. CHIDAMBARAM: Madam, the next point is graver. The next point is about the principle, that is, should accounts be certified.

DR. MURLI MANOHAR JOSHI: You only deal with big companies and big persons. But the tragedy is that we have to deal with small persons. That is the only difference between you and me.

SHRI P. CHIDAMBARAM: I reject. I resent and reject such an insinuation; and I will ignore it. I maintain my ground that—the principle—accounts should be certified by Chartered Accountants is a sound principle and I do not think, accounts should be certified by anyone other than a Chartered Accountant.

Then the last point that was raised was about the method of accounting; I think, Shri Suresh Prabhu raised it. It is true that Section 145 of the Income Tax Act was amended in 1995 and that came into force on 1.4.97, that is, assessment year 1997-98. Now, in fact, what has happened is that although the assessment year begins on 1.4.97, the effect of this came into force even on 1.4.96. Since 1.4.96, they are all required to choose their method of accounting. They have chosen their method of accounting and they have either kept it under the Mercantile Account or the Cash Account; and I do not think, it will be quite right for me to reverse what has happened since 1.4.96. They have already chosen it; they have lived with it; they have gained or learnt some experience. The assessment year begins today, but the effect came even last year. I do not think it is correct for me to reverse what was approved by Parliament in 1955 and which came into effect, effectively on 1.4.96.

Then, there was a question about sports. There was some demand which was made about encouragement to sports. I share that support for sports. The Income Tax Act contains provisions relating to exemption for income of notified sports bodies and also allows deduction for contributions made to an eligible project or scheme for promotion of sports. Sportsmen including athletes receiving income from outside India are eligible for a deduction of 75 per cent of the foreign exchange brought into India, besides any expenditure incurred for sponsoring sports activities is allowable as a deduction, being in the nature of business expenditure.

Various suggestions have been received that Government should lay down a Sports Policy, so far as the financial aspects are concerned, to enable encouragement of sports activities. I accept these suggestions in principle; and I propose to hold detailed discussions with the office bearers of the Indian Olympic Association and other recognised national sports bodies, so that when industry or trade sponsors various sports activities at the national or international level, such sponsorship gets fiscal incentives. I will invite them to the discussions.

SHRI SONTOSH MOHAN DEV (SILCHAR): You may include Members of Parliament also who are sportsmen.

SHRI P. CHIDAMBARAM: ...who are sportsmen or who were sportsmen?

DR. MURLI MANOHAR JOSHI: There are certain equipments which are used in gymnasium for general health purposes. There were hitherto considered as a part of sports. Now, you are separating the two.

SHRI P. CHIDAMBARAM: I do not believe that you raised it in your speech. I do not have an answer now.

DR. MURLI MANOHAR JOSHI: You may please consider this. Whenever you consider sports and health, you should consider giving incentives for equipments used in gymnasium also.

SHRI P. CHIDAMBARAM: Okay.

The last point which Shri Chatterjee mentioned is about VDS. As I said, none of the political parties which met me during the meeting opposed VDS. That is a fact. I have detailed notes of the meetings and that is a fact. It is true that a section opposes VDS. As I explained, I have no particular fascination for people who accumulate black money and who wish to convert it into white money.

Now, the point is our tax policies pursued in the past have encouraged generation of black money. That is a hard fact. There is no way of running away from that fact. We can pat ourselves on the back about tax policies which tax people of 97.5 per cent. I believe that they were wrong and there is no shame in admitting that they were wrong. Today, we are changing over to a tax regime which makes us competitive with the Asian nations. We have had, in this country, a long history of non-compliance with tax laws. I want to introduce a culture of compliance with tax laws. I have to start somewhere. I, therefore, believe that while we switch over to a competitive tax rate, we must simultaneously give one chance to everyone to come clean, come on board and say, "All right, here are my accumulated undisclosed income and wealth and hereafter, there is no justification to hold back on tax basis." I am not saying that this will convert everyone into an honest man overnight but I believe that an opportunity must be given for people to come clean, come on board and 77.5 per cent of whatever money is raised is going to the States. I pointed out last time and I quoted from the speech of Shri Jyoti Basu in the National Development Council as well as the BJP's manifesto. I pointed out and said that both, in a way, support what I have done. In fact, both go further. Both say that what is disclosed should not be taxed at all. But what I have said is that it should be taxed at 30 per cent. Therefore, we should give them a chance ...*(Interruptions)*

PROF. P.J. KURIEN: Why do you equate the honest tax payer and the dishonest through amnesty scheme tax? This is the question. You should impose a penalty on those who did not pay tax.

MR. SPEAKER: I think the Finance Minister had explained that earlier also.

SHRI P. CHIDAMBARAM: The answer is evident. If you have a high penal rate for conversion, there is no incentive to convert because the cost of managing the black funds has been estimated to be only 18-25 per cent. Therefore, you will continue to keep it as black funds and continue to pay the cost of management. The only way in which it can be made attractive for him is to come clean. If he still does not come clean, as you know, in the last Session of Parliament or earlier in this Session, we have tightened the provisions of Chapter 14(b). There was a huge loophole

there and nobody complained about that loophole until I pointed out that loophole. Anybody from whom money was seized may simply say, "All right, take 60 per cent and leave 40 per cent for me." We have plugged that loophole now and we have tightened up certain seizure provisions. We have given more time for people to assess, who are going to reopen accounts for ten years on a block account. All this has been done. Simultaneously, I am giving people a last chance. But believe me, behind the velvet glove, there is a firm fist. If people do not avail of this opportunity and continue to avoid taxes, the law will come down very very heavily on people and I will not hesitate to prosecute people for income tax violation. Prosecution for income tax violation in this country has been an exception rather than a rule. I intend not only to impose penalties and interest but also intend to launch selected cases of prosecution for those who will violate income tax after the new tax rates have been approved by this House. ...*(Interruptions)*

SHRI NIRMAL KANTI CHATTERJEE: Finance Minister seems to threaten us.

SHRI P. CHIDAMBARAM: I am not threatening anyone. I am only saying the laws. ...*(Interruptions)* We will see.

Sir, I now turn over to indirect taxes. A large number of suggestions were made. I have accepted many and I will respond to a few of them. Dr. Joshi said that a notification had been issued on 11th April, 1997 under the signature of a young officer, Shri Rajiv Talwar. I asked Shri Rajiv Talwar as to what he did to provoke Dr. Joshi like that. The poor chap told me that it was nothing but he merely issued notifications to implement the EXIM Policy which was announced on the 31st March, 1997. Now, when the EXIM Policy was notified on 31st March, 1997, one has to issue parallel notifications on the customs and excise side. So, he had issued Notification Nos. 20, 21 and 36 for the purpose of implementing the EXIM Policy. Notification No. 19 was issued in order to take care of a case where there was a break in the MODVAT chain and therefore, a specific duty had to be imposed instead of ad valorem duty. Notification No. 37 had to be imposed in order to exempt goods imported for setting up crude petroleum refinery from custom duty and additional customs duty which I explained in my speech. So, nothing wrong had been done on 11th April, 1997. The poor man was just doing his job and on 11th April, 1997, a notification was issued. I do not think he has done anything wrong. All notifications are with me and I have gone through them.

SHRI HARIN PATHAK: But Government fell on that day.

SHRI P. CHIDAMBARAM: But what has it got to do with that? EXIM Policy cannot be reversed nor can this chain be stopped.

Some specific issues were raised. I want to respond in the telegraphic language. 'Eco-boards'. I am willing to consider eco-boards. But I cannot do that in isolation. Eco-boards are of the same category as boards made from rice husk, jute particle boards, cement bonded particle boards, bagasse boards, etc. So, we are collecting data

on all these boards. We will take an appropriate decision at the appropriate time.

SHRI NIRMAL KANTI CHATTERJEE: You have certainly to convert it. They do use it. It is anti-pollution.

SHRI P. CHIDAMBARAM: Let me collect that data. ...*(Interruptions)* It is in a telegraphic language. Now, Ayurvedic medicines. There is some misconception. There is no excise duty on ayurvedic medicines manufactured according to the Ayurvedic Pharmacopoeia. Some medicines pretend to be Ayurvedic medicines. They are not according to the Ayurvedic Pharmacopoeia where there has been an excise duty of eight per cent. I hope, nobody is pleading that case. These are mainly cosmetics which would pretend that they are Ayurvedic medicines. They are not Ayurvedic medicines.

A demand has been made about extracts. ...*(Interruptions)*

MR. SPEAKER: We are short of time.

SHRI RAMESH CHENNITHALA (KOTTAYAM): It is very important. These Ayurvedic medicines have been prescribed by Ayurvedas.

SHRI P. CHIDAMBARAM: There is no excise duty on it.

SHRI RAMESH CHENNITHALA: That is not correct. We can cite any number of examples. ...*(Interruptions)*

MR. SPEAKER: You cannot go on like this.

SHRI RAMESH CHENNITHALA: This is one of the areas where more people are coming. ...*(Interruptions)*

[Translation]

VAIDHYA DAU DAYAL JOSHI (KOTA): Mr. Speaker, Sir, I am giving the name of a special Medicine. You please get it checked.

[English]

SHRI P. CHIDAMBARAM: Wait a minute, please. ...*(Interruptions)* How is it possible to respond if everybody interrupts? ...*(Interruptions)*

MR. SPEAKER: We are short of time. Today is Private Members' day.

(Interruptions)

[Translation]

VAIDYA DAU DAYAL JOSHI: Sir, This is not fair.

[English]

SHRI P.C. THOMAS: Sir, I have got an important point ...*(Interruptions)*

SHRI P. CHIDAMBARAM: Why do you not sit down? Let me complete.

[Shri P. Chidambaram]

There is no excise duty on Ayurvedic medicines manufactured according to the Ayurvedic Pharmacopoeia. I maintain that statement. There is an excise duty on those who manufacture what are described as Ayurvedic medicines but not according to the Ayurvedic Pharmacopoeia. And I do not propose to make a change there. ...*(Interruptions)* How is it possible to reply like this?

MR. SPEAKER: I do not think we can carry on like this.

(Interruptions)

SHRI P. CHIDAMBARAM: What is this?

[Translation]

VAIDYA DAU DAYAL JOSHI: I am giving the name of the medicine excise duty has been imposed on Liv-52.

[English]

MR. SPEAKER: I think, the problem is that there are too many good doctors in the House.

(Interruptions)

DR. MURLI MANOHAR JOSHI: Is there any mechanism through which you have identified that these are the medicines or these are the items sold which are not according to the Ayurvedic Pharmacopoeia?

SHRI P. CHIDAMBARAM: We will ensure that it is according to the Ayurvedic Pharmacopoeia. ...*(Interruptions)* The label which show that it is according to the Ayurvedic Pharmacopoeia.

DR. MURLI MANOHAR JOSHI: Have Ayurvedic physicians been taken into confidence?

SHRI P. CHIDAMBARAM: The Pharmacopoeia is there. If he says that according to the Pharmacopoeia, the ingredients have been given, then, there is no excise duty.

DR. MURLI MANOHAR JOSHI: Now, the Ayurvedic practitioner, Vaidya Dau Dayal Joshi, says that a particular medicine has been prepared on the lines of Ayurvedic Pharmacopoeia.

SHRI P. CHIDAMBARAM: In that event, it means that there is no excise duty.

DR. MURLI MANOHAR JOSHI: But he says that there is an excise duty.

SHRI P. CHIDAMBARAM: Then, he must raise the dispute on that. It will be decided by the Collector. It will be decided by the appellate authority. There is a method to decide it. ...*(Interruptions)*

Those who have a special knowledge of the matter must advise them. There is a machinery to decide a dispute. We cannot decide the dispute in Parliament today.

Then, there is a question about vegetable saps and extracts. It is true that vegetable saps and extracts have been subjected to excise duty. But those vegetable saps

and extracts are also produced captively by the manufacturers of Ayurvedic medicines. I have, therefore, decided that captive manufacture and consumption of vegetable saps and extracts by Ayurvedic manufacturers will not be subjected to excise duty of eight per cent. Those vegetable saps and extracts alone will be excluded. If it is captively manufactured and captively consumed, those vegetable saps and extracts will be excluded.

SHRI NIRMAL KANTI CHATTERJEE: No medicine should be taxed whether it is Ayurvedic or not.

SHRI P. CHIDAMBARAM: Then about aluminium circles, I have already explained that I have integrated the dual excise rate and a system of compounded levy is under consideration. When the system of compounded levy comes, much of the problem will be solved.

Sir, some questions were raised on Camphor. Camphor powder already attracts an Excise Duty at 18 per cent. The camphor tablets also attract Excise Duty at 18 per cent. But the first Excise Duty would be MODVATED in the second. Therefore, there is no additional Excise Duty as such. But the value addition in Camphor ...*(Interruptions)*

MR. MURLI MANOHAR JOSHI: Sir, I would like to know ...*(Interruptions)*

SHRI P. CHIDAMBARAM: Sir, how is it possible if after every sentence ...*(Interruptions)*

MR. SPEAKER: Dr. Joshi, I am sorry. I do not think that on each item we could go on like this.

Mr. Finance Minister, you do not have to touch every item.

SHRI P. CHIDAMBARAM: Sir, how could I do that?

MR. SPEAKER: You have to conclude within ten minutes.

SHRI P. CHIDAMBARAM: Sir, I am going to complete within ten minutes.

On Camphor tablets the value addition is 300 per cent. But there is no excuse and no justification not to tax the value addition of 300 per cent. In any event, SSI exemption is available for Camphor and all the small manufacturers of camphor come under the SSI.

Sir, there were some disputes about rags of blankets. I have reduced the customs duty from 30 per cent to 25 per cent. So, there could be no complaints about customs duty on rags for blankets. As regards excise duty, blankets not exceeding Rs. 100 per square meter are unconditionally fully exempted from paying excise duty. Therefore, shoddy blankets do not suffer any excise duty at all.

On Titanium Dioxide we have not reduced the customs duty. We have kept it at 40 per cent. DGFT has also included Titanium Dioxide in the list of sensitive items. Therefore, there is no danger of Titanium Dioxide import coming and swarming the domestic production.

On lamps, there were some criticisms about the multinational companies taking over our lamp industry. It is completely wrong. There are both multinational and Indian companies among the leading lamp manufacturers. Among the leading Indian lamp manufacturers are M/s Bajaj, Mysore Lamp, Laxman Sylvania, Surya and HMT. They have a fair share of the product. Nothing has been done to affect the domestic lamp industry.

Sir, now I wish to touch upon a few general issues on which comments were made ...*(Interruptions)* I have nothing more to say on *bidis* except to say that we have increased the excise duty on *bidis* from Rs. 5 to Rs. 6 per thousand after four years. It adds to one paisa per *bidis*. A packet of 25 *bidis* would cost two and a half paise extra. Whereas if you compare it with mini cigarette—yielding to the demand made by Smt. Geeta Mukherjee—in the last Budget I raised it from Rs. 60 to 75 a thousand and in this Budget it has been increased from Rs. 75 to 90 per thousand. There is a 15 time increase on mini cigarettes as compared to *bidis*. The increase has been 15 times. I see no reason at all why anybody should complain on that ground ...*(Interruptions)*

MR. SPEAKER: Mr. Finance Minister, you do not have answer to all the queries.

SHRI P. CHIDAMBARAM: Sir, finally I wish to touch upon one or two general issues on which some points were raised particularly by Shri Fernandes. He wanted to know about the Indian Bank case I told him to raise the Indian Bank case and I would answer him. In the Indian Banks case, so far 19 cases have been registered by the CBI. Therefore, it is incorrect to say that cases are not being registered. 19 cases have been registered by CBI. I sanctioned one case only yesterday evening. There were some charges that we are interfering with the investigation. The CBI is being monitored by the Supreme Court of India. In the Supreme Court, the CBI has stated categorically—I am not at liberty to read from the affidavit—and the sum and substance of what the CBI has said was that the CBI is carrying its statutory duties honestly and sincerely. Nobody will be spared and no order from any Minister has come in the matter. The CBI has made this to the Supreme Court and the Supreme Court is monitoring the case. So, there need be no apprehension that anyone will interfere with the Indian Bank case.

The third point that he made was about the appointment of the Chairman. I offered to the Supreme Court that if the Court desires then we would give the court a factual report on the appointment of the Chairman. The Court has accepted that and it has asked the Cabinet Secretary to submit a report to the Court and the Cabinet Secretary is preparing that report. There is nothing to hide in the Indian Bank case. The Indian Bank case gave rise to the most popular phrase of last year, that is, the law will take its own course.

There were also some references to the newspaper baron. I specifically rose to ask Shri Fernandes if he was charging me. He would not answer that question and so

I assume that he is not charging me. He is simply quoting charges from others.

On the newspaper baron case, there are two cases pending; one is filed in Calcutta High Court and the other is filed by him in the Delhi High Court. Two cases are pending. The judge of the Calcutta High Court is hearing the matter. The judges of the Delhi High Court are hearing the matter. There is nothing you or I need to do or say anything about it. The courts will decide who is right or wrong. It is a private dispute which I believe goes back to 20 years.

There was a recurring theme in this debate highlighted by the speakers from time to time. For example, one hon. Member asked me, what kind of hope is expected by my Budget! The case he cited was that of Anant Rai who committed suicide. I am sorry for that. Another Member suggested that the Budget should directly help the poor although he did not spell out what can be done. The concern for the poor is perfectly justified and fits into our national ethos but even those who hold great wealths must hold it as trustees for the welfare of the people.

The Common Minimum Programme of the United Front Government has reaffirmed and I quote:

"That growth with social justice will be the motto of the United Front. There is no substitute for growth. It is growth which creates jobs and generates income. The CMP has underlined that the country needs a GDP growth of about 7 per cent per year in the next 10 years in order to abolish endemic poverty and unemployment but we do not set stone by growth alone. We are aware that millions of people live in existence. Hence the CMP says and I quote:

"A frontal attack on poverty is an important element in any development policy. This is the rationale for anti-poverty programmes. Such programmes must be re-designed so that a significant number is brought above the poverty line every year and poverty as we have known it, is abolished by the year 2005."

The Economic Survey for 1996-97 contains an objective review of the economic situation. Both, strengths and weaknesses of Indian economy have been sufficiently captured in that document. I pointed out that there was a marked slow down in the pace of reforms since 1994-95. I have pointed out that the performance of key infrastructural sectors, particularly power and crude oil is extremely weak. Petroleum production has declined by 10 per cent. Power has increased only marginally by 3.7 per cent. I have pointed out that the annual rates of inflation when this Government took over has gone back to the average long term level. I have pointed out that the export growth had decelerated markedly. I noted with concern that in 1995-96, agricultural crop production has declined sharply. The entire sector last year declined by -0.1 per cent. All this was pointed out in the Economic Survey.

It is in this background that I advocated a set of policy

[Shri P. Chidambaram]

initiatives. I wish here to conclude by culling out just a few of those and saying that they are central to our economic policy making. The three challenges which are central are:

1. How to control the fiscal deficit?
2. How to provide adequate and reliable economic infrastructure services at a reasonable cost and with sustainable financing and pricing policy and how to ensure broad based employment generating growth in agriculture, industry and other sectors.
3. Anti-poverty programmes.

This, Sir, is the template against which the Budget of this Government must be evaluated. The path to fiscal deficit reduction is well known. We must ...*(Interruptions)*

MR. SPEAKER: You do not have to reply him. You must conclude.

SHRI P. CHIDAMBARAM: We must persevere with tax reforms. We must seek higher non-tax revenue. We must control expenditure. The Budget has a number of proposals to support the initiatives to accelerate expansion of infrastructure services in power, telecommunication, roads, ports, civil aviation and irrigation. The Budget affirms that rapid expansion of productive employment opportunities is the best way of reducing poverty. The Budget enhances allocation for basic minimum services for those at the margin and special programmes for employment and poverty alleviation to fulfil the essential needs.

I believe and I have said it in my opening statement that inflation since the Budget has been presented, came down to 6.54 per cent. Next Monday we will report that inflation has further come down to 6.35 per cent.

13.00 hrs.

This is despite price corrections made; this is despite administered prices being corrected for foodgrains and for petroleum. Therefore, if we persevere with the path that we have taken, control fiscal deficit, expand the tax base, raise tax revenues and non-tax revenues, control expenditure, in the long term that is the surest way to abolish poverty, the surest way to help that man who committed suicide because he did not have a job, the surest way to deal with centuries old deprivation and poverty in this country.

I think, we are on the right path. We must persevere. There are a number of areas which cry for reform. I will address myself to those areas as we go along. There is no great danger that somebody will come and take us over. There is no great danger that MNCs will swamp us. I will give you one example. The Commerce Ministry liberalised the import regime. A number of items were shifted from restricted list to SIL list in August, 1996, in September, 1996, again in February, 1997, and in March, 1997. Yet, what is the position? Non-oil imports declined by one per cent. So, it is not as though that a free import regime will mean that our products will be swamped by imported

products. Eventually, quality, price, availability and the increased efficiency of the Indian producer will determine what people buy, what people will not buy. Therefore, I do not believe there is any danger that economic reforms will swamp us or the foreigners will swamp us with economic reforms. Economic reforms will add muscle and strength to the Indian economy, to the Indian producer.

Sir, I have only to conclude. I have nothing more to say on the Budget. I think it is consistent with the philosophy of the CMP and I would urge all Members to support the Finance Bill.

Finally, since you gave an opportunity to Mr. ...*(Interruptions)*

[Translation]

SHRI SHYAM BIHARI MISHRA (BILHAUR): You have allowed five per cent profit in retail price. In retail, five per cent profit is not allowed. Yesterday, I had given you figures relating to Indian oil and Hindustan Petroleum. Moreover, you are supplying the products/items in P.D.S. and allowing 5 per cent profit on it whereas you are asking for 5 per cent profit in return and you also want 5 per cent income tax be paid. How is it possible?

[English]

SHRI P. CHIDAMBARAM: There is an opportunity for him to establish, by producing certified accounts, that his profits are not five per cent and, therefore, he should be taxed later. If the hon. Member will look at the provision of the Finance Bill, where a retail trader says that he does not want to go with the presumptive tax, all he has to produce is a certified account by a Chartered Accountant and he would be assessed on that basis.

Sir, since you gave the opportunity to Mr. Kurien to raise a specific question, I should deal with that in a couple of minutes. The issue is about mattresses made of natural rubber and polyurethane rubber. Both fall under the common entry in the Excise Schedule 9404.00. This is the classification. They have remained so for many years; I have not made any change. Excise Duty is 25 per cent. I have not made any change; this has remained so. There are two kinds of mattresses—one is latex foam mattress, the other is PU foam mattress, both, as I said, are in one category. On latex foam there is an Excise Duty of 25 per cent. PU foam also bears an Excise Duty of 25 per cent. I have made no change. Latex rubber, which is the raw material for latex foam, has no Excise Duty. It is at zero duty; whereas polyurethane, which is a raw material for PU foam, bears an Excise Duty of 30 per cent. It was 40 per cent earlier, now it bears an Excise Duty of 30 per cent. It was 40 per cent earlier, brought down to 30 per cent.

Now, the issue is, polyurethane is two raw materials, polyol and isocyanate. Until June, 1996, polyol and isocyanate were coming at a duty of 20 per cent. I raised it to 40 per cent. Nobody, complained when the duty was 20 per cent.

PROF. P.J. KURIEN: That is wrong. He is misleading.

MR. SPEAKER: How can he mislead like that?

SHRI P. CHIDAMBARAM: Sir, if I am misleading, there is a method. ...*(Interruptions)* The Member can give a notice against me, if I am misleading. ...*(Interruptions)* How many times can an hon. Member be allowed to say that I am misleading?

PROF. P.J. KURIEN: Let it be on record. Sir, please allow me.

MR. SPEAKER: No, I cannot allow you any more.

SHRI P. CHIDAMBARAM: An hon. Member of Parliament—I have also been a Member of Parliament—will bring to the notice of the Minister his representation, press the point and leave it for a decision. A number of Members do it. If a decision is unacceptable, that is a different matter. He can vote against the provision. But to charge a Minister repeatedly that he is misleading is unfair.

PROF. P.J. KURIEN: From 81 per cent in 1993-94, it was brought down to 30 per cent.

SHRI P. CHIDAMBARAM: This kind of insistent representation on one issue repeatedly, how is it fair? He is doing his duty, I am doing my duty.

Can we ever quarrel like this in this House? We make a spectacle of ourselves before the people of India. Sir, do you wish me to answer it or not?

MR. SPEAKER: If you wish you can answer. I will leave it to you.

SHRI P. CHIDAMBARAM: I have called the Members of Parliament from Kerala to my Chamber. I have explained to them. This file was made available to them. This morning also I invited them to look at the file. There are two Commissioners who have given their reports, and there are two Commissioners who have not yet given their reports. The conclusion, on the basis of partial information from the two Commissioners, is that Latex foam sells at Rs. 27 a kg., and carries an Excise Duty of 25 per cent. PU foams sells at Rs. 150 a kg., and carries an Excise Duty of 25 per cent. ...*(Interruptions)*

SHRI RAMESH CHENNITHALA: You do not draw conclusion from that.

SHRI P. CHIDAMBARAM: That is why I said I do not want to draw a conclusion. You are forcing me to draw a conclusion by charging me with all kinds of things.

MR. SPEAKER: We cannot prolong like this on one issue alone. I think the Minister has agreed to call a meeting of Members of Parliament. I think that is good enough.

SHRI P. CHIDAMBARAM: Latex foam mattress of four inch with thickness of 10 cms. sells at Rs. 40 a square foot at 25 per cent Excise Duty, whereas corresponding PU foam mattress good quality sells at Rs. 89.73 a square

foot at 25 per cent Excise Duty, and poor quality sells at Rs. 79.84 a square foot at 25 per cent Excise Duty. They are two different market segments. They do not compete with each other. Yet I told the Members of Parliament that let me get the report from the other two Commissioners and let me look at that data. Let me call for cost audit. I can even order a special cost audit of the manufacturers and then I will take a decision.

SHRI P.C. THOMAS: At the same time something should be done on this...*(Interruptions)*

MR. SPEAKER: You can conclude now.

SHRI P. CHIDAMBARAM: I request the hon. Members to pass this Finance Bill.

MR. SPEAKER: The House stands adjourned for lunch to re-assemble at 2.00 p.m.

13.06 hrs.

The Lok Sabha then adjourned for Lunch till Fourteen of the Clock.

{English}

14.07 hrs.

The Lok Sabha re-assembled after Lunch at seven minutes past Fourteen of the Clock

(MR. SPEAKER in the Chair)

MR. SPEAKER: Shri Chaturanan Mishra, how long will you take to make the Statement?

THE MINISTER OF AGRICULTURE, (EXCLUDING THE DEPARTMENT OF ANIMAL HUSBANDRY AND DAIRYING) AND MINISTER OF CIVIL SUPPLIES, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION AND MINISTER OF FOOD (SHRI CHATURANAN MISHRA): Sir, I will take only five minutes.

MR. SPEAKER: All right, you please make your Statement.

14.08 hrs.

STATEMENT BY MINISTER

Introduction of the Pilot Crop Insurance Scheme

THE MINISTER OF AGRICULTURE, (EXCLUDING THE DEPARTMENT OF ANIMAL HUSBANDRY AND DAIRYING) AND MINISTER OF CIVIL SUPPLIES, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION AND MINISTER OF FOOD (SHRI CHATURANAN MISHRA): Sir, I am thankful to you for giving me the time to make the Statement.

Hon. Members are aware that the Central Government has been implementing a Comprehensive Crop Insurance Scheme (CCIS), since the year 1985. The stated objectives of the scheme are to insulate the farming community