

EVASION OF INCOME-TAX

*405. **Shri Tushar Chatterjea:** Will the Minister of Finance be pleased to state whether it is a fact that reports have come to the Government of India about a particular practice indulged in by certain foreign firms to evade income-tax, in which emoluments to foreign employees are shown at a much higher figure than what is actually paid?

The Minister of Revenue and Expenditure (Shri Tyagi): No such reports have come to the Government of India in the Ministry of Finance. If, however, the hon. Member has any information on the subject, I shall feel obliged if he is pleased to pass it on to me. To be more accurate, I might add, that long ago income-tax officers had made enquiries and reported to the Central Board of Revenue to the effect that there were certain perquisites given by firms to their employees by way of tiffin allowances, boarding allowances, free servants, free medical aid, electric charges etc. It is clear that these perquisites should be taxed, but according to the Income-tax Act, they could not be taxed. With a view to cover these perquisites, last time a Bill was moved, but it has lapsed. If the hon. Member hints at these perquisites, surely there are certain cases where these extra perquisites are given by firms to their employees.

Shri Tushar Chatterjea: May I know whether the attention of the Government has been drawn to a news item which was published in the press on 28-12-52 and whether Government has contradicted it or not?

Shri Tyagi: I am afraid, there are news and news. My hon. friend should oblige me by pointing out when and where the news was published.

Mr. Deputy-Speaker: Not now.

Shri K. K. Basu: Have the Government any intention to revive the lapsed Bills in the future?

Shri Tyagi: It all depends upon the programme of the Parliament. As it has been very crowded, more urgent Bills have been taken up, and so the previous ones had lapsed. But surely the intention is to bring in such an amending Bill as to cover these perquisites so as to make them taxable.

Shri K. Subrahmanyam: Have the Government studied the 30-page memorandum submitted by the employees of the firms outlining the tactics adopted by the foreign firms for evading income-tax? If so, what action is proposed to be taken in the matter?

Shri Tyagi: I am afraid I have no impression of having received a memorandum my hon. friend refers to. But I shall be obliged if he will kindly give me a copy of the same.

Shri Tushar Chatterjea: May I know whether the following news item has been taken note of by the Government of India or not?

Mr. Deputy-Speaker: The same news?

Shri Tushar Chatterjea: The news item which appeared on 28-12-52 in the *Hindusthan Standard*.

Mr. Deputy-Speaker: The hon. Member will kindly pass it on to the hon. Minister. He has already stated that he has not heard of any such thing. So there is no good putting the same question again.

Shri Tyagi: May I clarify one point, Sir? It is generally difficult for any company to give higher pay and thereby avoid taxes, because the tax on a company is at a maximum of As. 8 a rupee, whereas on individuals, the maximum is As./13/3 per rupee. So, if some higher pay is granted by these foreign firms to their employees, then the pay in the hands of the employees is more heavily taxed.

LOAN TO TITANIUM FACTORY, TRAVANCORE-COCHIN

*406. **Kumari Annie Mascarene:** (a) Will the Minister of Finance be pleased to state whether a loan has been applied for by the Titanium Factory in Travancore-Cochin State to the Industrial Finance Corporation?

(b) When was the application sent?

(c) What are the conditions of eligibility for loans?

The Minister of Revenue and Expenditure (Shri Tyagi): (a) Yes, Sir.

(b) The application was received in the Head Office of the Corporation on the 25th March, 1952.

(c) Loans can be granted to Industrial concerns as defined in Section 2(c) of the Act. Applications have, however, to be judged for eligibility of loan in any particular case.

on their own merits. One of the criteria borne in mind is the feasibility and economics of the scheme.

Kumari Annie Mascarene: May I know whether the Government have audited the accounts of this company?

Shri Tyagi: It is not for the Government to do it. In fact it is the Industrial Finance Corporation that deals with these investigations. I have the information that they made investigations regarding this firm, but unfortunately their finding was that their cost of manufacturing the goods was not low enough to compete with that of foreign supplies. And so an advance of such a big amount was not thought feasible for this company, unless it was assured that their goods could compete with foreign supplies.

Now there comes the question of giving the industry some protection. I might also inform this House that my hon. colleague the Minister of Commerce and Industry has already made investigations in this matter and has referred the case to the Tariff Commission for their recommendations as to whether the industry does deserve any sort of protection.

Kumari Annie Mascarene: May I know whether the Government had enquired into the causes of the high cost of production?

Mr. Deputy-Speaker: That will be done by the Tariff Commission.

Shri N. Sreekantan Nair: May I know whether the Government are aware that it was the Commerce and Industries Minister himself who directed the Titanium Products Company not to resume production but immediately to set up a 'Routail' Plant so that they may be able to produce cheaper material and direct them to apply for a loan from the Industrial Finance Corporation?

Shri Tyagi: According to my information, the Ministry of Commerce and Industry recommended a certain method and a certain scheme to cheapen the cost of production, and that scheme is under the consideration of the firm. Negotiations are going on, probably, and they have not accepted that scheme yet.

Mr. Deputy-Speaker: Next question.

Kumari Annie Mascarene: May I put one more supplementary on this question? May I know why under

similar situations the Industrial Finance Corporation gave a loan of Rs. 50 lakhs to the Orissa Textiles, while we are not given any such payment?

Mr. Deputy-Speaker: It is a matter for argument.

Shri Tyagi: Each case stands on its own footing.

Mr. Deputy-Speaker: The hon. Minister is giving information, based on which further questions are asked. Next question.

ANTI-COMMUNIST LEAGUE

***407. Kumari Annie Mascarene:** Will the Minister of Home Affairs be pleased to state:

(a) whether an anti-communist league functions in India;

(b) by whom the league is financed; and

(c) the number of such units functioning in Travancore-Cochin State?

The Deputy Minister of Home Affairs (Shri Datar): (a) Government are aware of only one Anti-Communist League, whose activities appear to be confined to Negercoil in Travancore-Cochin State. It does not seem to have branches anywhere else.

(b) The Government of India have no information.

(c) One.

Kumari Annie Mascarene: May I know whether the Government are aware that this League in Travancore-Cochin State is financed by foreigners?

Shri Datar: No. Our information is that it is not financed by any foreigners.

Kumari Annie Mascarene: May I know whether the Government are aware that I myself was invited to take up the leadership of this League, and offered many lakhs of rupees at my disposal, if I could carry it on?

Shri Datar: We shall take the information from the hon. Member.

Mr. Deputy-Speaker: The hon. Member is giving information and not seeking information.

Kumari Annie Mascarene: He has been already informed on the subject, by myself.