

# LOK SABHA DEBATES

## LOK SABHA

Friday, July 25, 1997/Shravana 3, 1919 (Saka)

The Lok Sabha met at  
Eleven of the Clock

[MR. DEPUTY SPEAKER in the Chair]

[English]

(Interruptions)

SHRI N.S.V. CHITTHAN (DINDIGUL): It is very unfortunate that the name of the former President of India, Shri Neelam Sanjiva Reddy was not included in the President's Address which has been made today morning. Those who are responsible for preparing the Address must be taken to task. ... (Interruptions)

MR. DEPUTY-SPEAKER: You may ask anything after Question Hour.

(Interruptions)

DR. M. JAGANNATH (NAGARKURNOOL): The person who is responsible must be sacked. ... (Interruptions)

MR. DEPUTY-SPEAKER: I know that. You may raise it after Question Hour.

(Interruptions)

SHRI P. UPENDRA (VIJAYAWADA): It has already been corrected.

### ORAL ANSWERS TO QUESTIONS

#### Voluntary Disclosure of Income Scheme

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\*41. SHRI CHINTAMAN WANAGA:

SHRI V.V. RAGHAVAN:

Will the Minister of FINANCE be pleased to state:

(a) the number of persons who have volunteered to disclose their unaccounted wealth since the introduction of Voluntary Disclosure of Income Scheme (VDIS);

(b) the total amount collected so far by way of disclosure from the commencement of the scheme; and

(c) the extent to which this scheme is different from the earlier similar schemes aimed at unearthing black money?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (c) A Statement is laid on the Table of the House.

## Statement

(a) and (b) VDIS Scheme came into operation from 1.7.1997 and will last till 31.12.1997. An important ingredient of the Scheme is the strict confidentiality which is to be maintained in respect of the declarants. The response to the Scheme will depend, to a large extent, upon the confidence of the would-be declarants on the Department's ability to maintain this confidentiality. Keeping this in view, the Scheme provides that declaration shall be filed only to the Commissioners of Income-tax. For the same reason details are not being obtained centrally from the Commissioners regarding the number of declarants or the amounts disclosed etc. It has been decided to take stock only towards the end of the period of operation of the Scheme.

(c) The major differences between the present scheme and the earlier schemes are as under:-

#### I. Rate of tax:

Under the present Scheme tax is charged at a flat rate while in most of the earlier schemes, tax was charged at the graduated rates prescribed in the Schedule.

#### II. Disclosure of Wealth:

Under the present Scheme, disclosure of wealth is not permissible. The Scheme is for disclosure of income.

#### III. Payment of tax:

Under the present Scheme, the tax payable in respect of voluntarily disclosed income is to be paid before filing the declaration. If tax is not paid before filing the declaration then the declarant has to pay the tax (along with interest) within three months from the date of filing of declaration. If the declarant fails to pay the tax before the expiry of these three months, the declaration will be deemed to be void. In most of the earlier Schemes the payment of tax could be made in instalments.

#### IV. Immunity from penalty and prosecution:

The present Scheme, inter alia, grants immunity to the declarant from penalty and prosecution under various Acts. The immunity in respect of FERA is broadly similar to the immunity granted under the Remittances in Foreign Exchange (Immunities) Scheme, 1991.

#### V. Disclosure of income in search and seizure cases:

The benefit of the present Scheme is not available in relation to income of the previous year in which search has been initiated or for any earlier previous year. The benefit of the Scheme is also not available in relation to income of the previous year in which survey has been carried out. Under

Voluntary Disclosure of Income and Wealth Scheme, 1976, some benefits, with conditions, were available even in cases of search.

[Translation]

MR. DEPUTY SPEAKER: All other hon'ble Members should take their seats.

(Interruptions)

SHRI CHINTAMAN WANAGA: There is a parallel economy of black money in our country. The Government have made efforts many times after independence to unearth black money. The Government had launched schemes eight times earlier to unearth black money, it was the ninth attempt. The Government could not get desired success in these schemes of the 1985. Therefore, through you, I want to ask the Minister as to where from the black money is generated? Much initiative has not been taken to check the procedure of generation of black money so far. Whether the Government would make effort to check the generation of black money and if so, what efforts would be made by the Government.

[English]

SHRI P. CHIDAMBARAM: Mr. Deputy Speaker, Sir, black money is generated through a variety of means. But the most common one is, in order to hide income from income-tax, people do not disclose their incomes and when incomes are not disclosed, the undisclosed income becomes what is popularly called black money. The reasons why black money is generated are well known. There have been studies from time to time. The most common reasons are the high rate of stamp duties on property transaction encourages people to hide the true value through consideration of transactions. High rates of taxes in the past, I believe, was one of the reasons for generation of black money. Besides, there are also lot of illegal activities in the country, smuggling, drug trafficking and prostitution. These are illegal activities which are financed by black money which generate, in turn, income which is not disclosed. Therefore, it is black money. It is true in the past several attempts were made.

But the attempts were not so successful, again, for a variety of reasons. This time, we are making another attempt, as I said, in response to the suggestion made by the National Development Council. Let us give this a fair chance. Now that the Income-tax rate margin has been brought down to 30 per cent and the Disclosure Scheme is also a simple Scheme with the same rate of tax, we may endeavour to try and reverse the trend. But it is not easy. It will not happen only because of the Scheme. It will happen because of the other provisions that we have tightened up, namely, under Section 139 of the Income-tax Act, the new Scheme for disclosure under Section 139 proviso and the tightening up of Chapter XIV B of the Income-tax Act. A number of presumptive tax measures have been introduced. We have taken a number of other steps on the excise side and the customs side. Altogether,

I believe, we have today a package of measures to deal with black money. I hope that it will succeed. Thank You.

[Translation]

SHRI CHINTAMAN WANAGA: Mr. Deputy Speaker, Sir, in the reply given to my question, the Minister has stated:

[English]

"declaration shall be filed only to the Commissioners of Income-Tax."

[Translation]

After filing Declarations-Commissioner of Income Tax has full power to accept or reject it and after certifying it, he issues certificate. But no time limit has been fixed for issuing certificate. Therefore, I want to know whether the Minister would consider fixing its time limit?

[English]

SHRI P. CHIDAMBARAM: The Commissioners of Income-tax have been instructed to issue the certificate within 15 days of payment of tax.

SHRI V.V. RAGHAVAN: Sir, the estimated concealed money at present is anywhere between Rs. 40,000 and Rs. 1,00,000 crore. There is a parallel economy operated by this unaccounted money. Most of the non-banking financial companies deal with this unclean money. The real estate people are dealing with this unclean money. Are our Enforcement Agencies aware of these illegal transactions? I would like to know from the hon. Finance Minister how much is his expectation from the VDIS? If that is not fulfilled, what action does he intend to take after December 1997 to get hold of the unaccounted and unclean money?

[English]

SHRI P. CHIDAMBARAM: I am grateful to the hon. Member for this question. I made it clear that the normal activities of the Income-tax Department will not be changed even during this period ending 31st December, 1997. The normal activities will go on. However, we have, after very extensive discussion and consultation, crafted a strategy to deal with those who have unaccounted money during this period of six months and thereafter. You will pardon me, Sir, if I do not reveal the whole strategy for this period of six months. But since the hon. Member was good enough to ask me what I will do after 31st December 1997, let me say that the law is clear. After Chapter XIV B was amended by this House at my request a few months ago, the provisions that follow as a result of search and seizure have become extremely stiff now. If anyone is found possessing unaccounted money and if it is discovered as a result of a search or a seizure or an investigation, that amount will now be liable to be taxed at 60 per cent together with interest. There will also be a penalty which can extend up to 300 per cent of the tax evaded. And the difference that I have brought about. In every single case, there will be a prosecution ... (Interruptions)

SHRI V.V. RAGHAVAN: What is the expectation from this VDIS?

SHRI P. CHIDAMBARAM: As I said, the sky is the limit. I have not taken any credit for any amount in the Budget. The sky is the limit.

[Translation]

SHRI SATYA PAL JAIN: Mr. Deputy Speaker, Sir, the Minister has not replied to the question asked by an hon'ble Member just now. The question was as to how many people have disclosed black money under voluntary disclosure scheme and the amount of black money seized so far. He says that they want to maintain the confidentiality of this schemes. Therefore, he is not giving information, figures. This information is with Income tax Commissioner only. I want to know the reasons for not disclosing the information in this regard to the hon'ble members or House whereas the information in this regard can be with Income tax Commissioner. If anyone asks the names of the persons who have disclosed black money, in that case one can understand it, because there may be some such persons also about which there is different opinion. I want to know from the Minister of Finance as to what objection he has in regard to giving information in that regard.

I want to ask one more question that is about the people who are declaring their assets or black money under voluntary disclosure scheme. If they are involved in any scandal, in any criminal case, on whom there is any criminal liability, against whom there is any criminal case in Court, whether you would give permissions to them to declare their assets under this scheme or before giving permission you would take into account the criminal cases against them.

[English]

SHRI P. CHIDAMBARAM: Sir, the law that has been made by this Parliament is very clear. No one can enjoy immunity if he is proceeded against under large numbers of Acts. That includes the Prevention of Corruption Act; that includes the FERA; that includes the Narcotics and Psychotropic Substances Act and the COFEPOSA. If anyone has the audacity to make a declaration despite the fact that he has been proceeded against under these Acts, he does so at his peril. We will use that as a confession in the proceedings. I do not think, that is an issue at all.

On the other question, about the number of declarants and the amount declared, this information will be shared with this House after the scheme is completed. I am not reluctant to share this information. But the scheme is such that it will succeed and I am sincerely hopeful that you want us to succeed in this House ...*(Interruptions)*

SHRI SHARAD PAWAR: This is already reported city-wise and date-wise in the newspapers.

SHRI P. CHIDAMBARAM: I am coming to that. The scheme will succeed only if we maintain confidentiality and inspire confidence. It is true, as Shri Sharad Pawar has

said, one newspaper carried a report on one day, about the 7th of July or so, purporting to be a list or declaration made. It is precisely because of such inspired reports that we say, we will share all the information, but when the scheme comes to an end.

[Translation]

SHRI SATYA PAL JAIN: I think that if the Minister gives this information, it would not be circulated in Press, otherwise news would continue to be published in this manner ...*(Interruptions)*

[English]

SHRI N.S.V. CHITTHAN: Mr. Deputy-Speaker, Sir, as we know, in previous years also, the Government had introduced this scheme. May I know from the hon. Minister how much amount was declared and how much tax was earned through this scheme?

SHRI P. CHIDAMBARAM: These schemes have been made in the past. Each one of these schemes resulted in the collection of very small amount. The best scheme brought us a disclosure of about Rs. 1,000 crore or slightly less. All other schemes yielded were very small amounts. I will furnish the information scheme-wise to the hon. Member. They were very small amounts.

[Translation]

SHRIMATI JAYAWANTI NAVINCHANDRA MEHTA: Mr. Deputy Speaker, Sir, whether it is a fact that the Union Government have formulated any scheme for giving advertisement for the propaganda of this scheme of conversion of black money in white money? My second question is how much amount has been collected under this scheme and whether it is less than the amount of expenditure on the advertisement? I also want to put one more question in this regard that is if there is any such scheme, then what are the names of the public and Private Companies which have been given contracts and the amount fixed for this scheme by the Government?

[English]

SHRI P. CHIDAMBARAM: Sir, it is true that the Government is advertising the scheme. The idea is to advertise the scheme. The idea is that the information should reach everybody. The idea is to motivate people to declare. Therefore, money will be incurred months to months on the advertisements. This will depend upon how the scheme catches on. If the scheme catches on very well, we will moderate the amount spent on advertisements. If the scheme is a big sluggish, we might spend a little more. How can I tell the hon. lady Member, how much we will spend? But believe me, we will collect several times more than what we will spend. You can rest assured of that. And, at the end of the year I will tell you what we have collected.

[Translation]

SHRIMATI JAYAWANTI NAVINCHANDRA MEHTA: Mr. Deputy Speaker, Sir, I had asked the Minister whether any amount has been fixed or not? ...*(Interruptions)*

[English]

SHRI NIRMAL KANTI CHATTERJEE: About the revenue collection, the cost is only one per cent or even less than one per cent. If they say "several times more" that means it is going to be a failure ...*(Interruptions)*

[Translation]

MR. DEPUTY SPEAKER: I want to bring this fact to the notice of the hon'ble members that the House has decided that not more than five supplementary questions would be asked on a question. Seven supplementary questions have been asked on this question. If more supplementaries are asked, there would not be any time for asking supplementary question on the remaining questions. Therefore, I am taking up the next question.

#### Slow Down in Exports

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\*42. SHRI I.D. SWAMI:

SHRIMATI LAKSHMI PANABAKA:

Will the Minister of COMMERCE be pleased to state:

(a) whether there has been a massive slow-down in India's exports during 1996-97 and in April, 1997;

(b) if so, the reasons therefor;

(c) whether in view of this, Government propose to set up a High Powered Export Promotion Board headed by the Cabinet Secretary to resolve Inter-Ministerial problems related to export sector;

(d) if so, the details of the Export Promotion Board; and

(e) the other steps taken to boost exports during 1997-98?

THE MINISTER OF STATE OF THE MINISTRY OF COMMERCE (DR. BOLLA BULLI RAMAIAH): (a) to (e) A Statement is laid on the Table of the House.

#### Statement

(a) Exports during 1996-97 are estimated at US \$ 33106 million representing a growth in dollar terms of 4.12% over the exports valued at US\$ 31797 million during the corresponding period of last year. India's exports during April-May, 1997, are estimated at US\$ 5401.41 million which is 1.98% lower than the level of corresponding period last year.

(b) Export performance is dependent, inter alia, on international factors such as market conditions and tariff and non-tariff barriers to trade, besides domestic factors

such as policy framework and procedures, state of domestic infrastructure, export competitiveness of export products etc. A slow down in exports during 1996-97 is to be viewed in the context of a substantial slow down in world trade at 4% growth during 1996 as compared to 19% growth in 1995, low/negative import growth in India's major trading partners, a paradigm shift in demand for soft goods exported by India, sector-specific issues affecting gem & jewellery, leather sector etc. and infrastructural constraints. During April, 1997 the transporters strike seems to have affected movement of export shipment and the consequent export growth.

(c) and (d) At a meeting chaired by the Hon'ble Prime Minister to discuss export related issues recently, a strong plea was made for the setting up of an Export Development Board (EDB) to facilitate significantly high growth in the export sector and to effect greater inter-departmental coordination for achieving the export objective. Consequent on the positive response to the setting up of EDB, the proposal is being pursued further by the Ministry of Commerce.

(e) A number of measures have been taken by the Government to improve export optimism and strengthen the incentive system. The Budget 1997-98 restored the 80 HHC provision in terms of income tax exemption of export profits. The new Exim Policy for 1997-2002 considerably simplified the policies and procedures and consolidated the gains of previous Exim Policy. Efforts have been made to provide a hassle-free trading environment. Separately, M/o Commerce held discussions with the Export Promotion Councils and Commodity Boards regarding export promotion measures to achieve higher growth. Separately, meetings with trade and industry were organised by the chambers of commerce and apex organisations like FIEO. Inter-Ministerial discussions were held with M/o Finance, Textiles, Surface Transport to address specific measures required urgently to improve exports. Interest on export credit has been reduced by one percentage point. It is proposed to set up an EDB to resolve inter-Ministerial issues and to give a national priority thrust to export efforts.

[Translation]

SHRI I.D. SWAMI: Mr. Deputy Speaker, Sir, the Hon'ble Minister has admitted that there has been export deficit and some steps have also been taken for increasing export. But, I want to know from the Hon'ble Minister the amount of trade deficit. Secondly, he has also admitted that in 1997-98, under the terms of provisions of 80 H.S.C., income tax exemption has been restored. Is the entire country coming on the method of error in correction or planning? Thirdly, I want to know the reasons for the restoration of this exemption which was withdrawn earlier. Has the export increased due to this in these months and if so, the extent thereof?

[English]

DR. BOLLA BULLI RAMAIAH: Sir, with reference to the total trade deficit, it was about five billion dollars last