

exceeding Rs. 2,500 will have to be made either by cheque or by bank draft after the promulgation of the Income-tax (Amendment) Rules, 1969 for practically all business transactions ;

(b) if so, the details of the representations, if any, received by Government from the business community against this amendment ;

(c) the action taken by Government on these representations ;

(d) whether there are misgivings in the public mind on the interpretation of this amendment ; and

(e) if so, Government's reaction thereto ?

THE DEPUTY PRIME MINISTER AND MINISTER OF FINANCE (SHRI MORARJI DEFAI) : (a) Under the provisions of section 40A(3) of the Income-tax Act (introduced by Finance Act, 1968), in computing the profits and gains of a business or profession, no deduction will be allowed for any expenditure for which payment is made after 31.3.1969 in a sum exceeding Rs. 2,500, unless such payment is made by a crossed bank cheque or crossed bank draft. The word 'expenditure' in this section covers all payments for the purchase of goods, as also payments for services, for which deduction is claimed in the computation of profits and gains of business or profession. It is, however, provided that the disallowance under this section shall not be made in the cases and circumstances to be notified in the Income-tax Rules. These exceptions were notified in the Gazette of India Extraordinary under S.O. No. 624 dated 14th February, 1969, after considering the comments received from the public on the earlier draft notification. The aforesaid rules and a corrigendum thereto (notified on 25.3.1969) were laid on the Table of the House on 3rd March, 1969 and 21st April, 1969, respectively.

(b) The rules notified on 14.2.1969 were finalised after taking into consideration the views and suggestions of Chambers of Commerce and various other bodies of trade and industry on draft rules notified earlier on 26.9.1968. Since the rules were notified on 14.2.1969, representations have been received by the Government seeking clarifications on the scope of the provisions of section 40A(3) and the rules framed thereunder. It has also been represented that the said provisions

would hinder normal trading activities especially in the rural centres and the Government have been urged to withdraw or modify the said provisions.

(c) A Press Note was issued on 2.5.1969 clarifying the points raised by various Chambers of Commerce, associations and bodies, regarding the scope of the provisions of section 40A(3) and the rules framed thereunder. A copy of the Press Note dated 2.5.1969 is laid on the Table of the House. [Placed in Library. See No. LT-1117/69]. Replies are also being sent to individual queries received from time to time.

(d) and (e). The object of the provisions contained in section 40A(3) is to put a curb on the circulation of unaccounted money and help to channel through the banking system transactions involving large amounts in businesses and professions. Government are of the view that these provisions will not affect trading activities adversely since the exceptions provided in the rules adequately take care of all genuine difficulties.

Smuggling of Gold and Contraband Goods

9356. SHRI D. N. PATODIA :
SHRI N. K. SOMANI :

Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that smuggling of gold and other contraband goods has increased recently ;

(b) if so, the total amount of gold seized during the last two months ; and

(c) the mode of disposal of this gold and the total income to Government on this account during the last three years ?

THE DEPUTY PRIME MINISTER AND MINISTER OF FINANCE (SHRI MORARJI DESAI) : (a) There is no reliable basis showing that smuggling of gold and other contraband goods has increased recently.

(b) and (c). Information in this regard is being collected and will be laid on the Table of the Sabha.

Construction of a Crude Oil Grid

9357. SHRI D. N. PATODIA : Will the Minister of PETROLEUM AND CHEMICALS AND MINES AND METALS be pleased to state :

(a) whether it is a fact that because of