

14.04 hrs.

The Lok Sabha re-assembled after Lunch at four minutes

*past Fourteen of the Clock.*

*(Mr. Speaker in the Chair)*

Title: Consideration of the Finance Bill, 2003 (Not concluded).

MR. SPEAKER: Shri Jaswant Singh to move that the Bill to give effect to the financial proposals of the Central Government for the financial year 2003-04, be taken into consideration.

Hon. Members, as you are aware, the Business Advisory Committee in its meeting held on 22<sup>nd</sup> April 2003 had recommended that the discussion on the Finance Bill be held on 25<sup>th</sup>, 28<sup>th</sup> and 29<sup>th</sup> April 2003. The Finance Minister may reply on Wednesday, the 30<sup>th</sup> April 2003. If the House agrees, twelve hours may be allotted for all the three stages of the Finance Bill 2003; that is, ten hours thirty minutes for the general discussion, one hour for clause by clause consideration and half-an-hour for the third reading.

Now we can go ahead with the Finance Bill. Shri Jaswant Singh.

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH): I beg to move\*:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 2003-2004, be taken into consideration."

Sir, as you know and as all the hon. Members know, the consideration of the Finance Bill is really in the last phase of the entire chain and cycle of various steps that are undertaken by the Legislature in its financial responsibility. It is not

\* Moved with recommendation of the President.

the lot of Finance Ministers to win the approval or applause of his peers or his colleagues but that is, unfortunately, the lot of all Finance Ministers.

I am really quite stuck by what Edmund Burke had said in a speech on American taxation in 1774. It is astonishing how many years it takes back to. It is almost two centuries now. Edmund Burke, an Anglo-Irish political theorist, commenting on the American taxation system said:

"To tax and to please no more than to love and be wise is not given to manhood."

Unfortunately, it is the duty of all the Finance Ministers to tax and having taxed, to be able to win encomiums of everybody is an extremely difficult task. But despite that, I am quite gratified that in the ensuing period since 28<sup>th</sup> February, really speaking, by and large, the broad theme of the Budget has met with national approval. There are, of course, certain areas that have been voiced, certain areas that have been given expression to and certain areas that we ourselves have recognised require further attention. It is entirely possible that in matters of detail, certain aspects need to be modified, refined and altered which is, in any case, always undertaken at about this time of the entire passage of the budgetary process.

In the current year, three or four issues broadly emerged which cause concern to a variety of citizens and I will address those issues to start with.

I will be very brief because I recognise that the time allotted is limited. I would benefit by the comments of other Members. The first issue is the Value Added Tax. This matter came up earlier during the Question Hour in the House and I had then also said that VAT is really to add value to taxation and not to add vexation to taxation. So, it is not a Vexation Addition Tax, it is Value Added Tax. Therefore, we must recognise that it is a modern and progressive tax and in this context, I am convinced that whenever it is implemented, it shall benefit not only the States but also the total revenue structure of the country. But let me highlight what has now come forward in the manner of controversy in the context of the Value Added Tax.

In the Budget speech, I have said that, in the current year, the States will be switching over to Value Added Tax and the Central Government in the highest traditions of co-operative federalism will facilitate this path-breaking reform. I must again repeat what I said during the Question Hour. The Central Government is a facilitator. This is a State tax. It replaces sales tax and various other taxes, merges them and prevents overlapping of taxation. And it has to be a State tax.

That is why the Empowered Committee of State Finance Ministers, after its meeting on April 8 which is the last one, has informed that sixteen States are ready for the introduction of Value Added Tax from June 1. The VAT legislation for Madhya Pradesh, as passed by the Madhya Pradesh Assembly, has already received Presidential assent in November 2002. In late March and early April, 2003, we had received VAT legislations passed by legislatures of seven more States for Presidential assent. Of these sixteen States which the Empowered Committee has said are willing and ready to implement VAT, in fact, only eight States have actually legislated. This is one aspect of it.

Then, in respect of some of the important provisions of the Value Added Tax legislations which have been presented for Presidential assent by the States, they did not conform to what has been prescribed by the Empowered Committee itself. I could see conformation is not there. That is why during the Question Hour I had said that we will be preparing a detailed check list for the States to go through because this needs to be adhered to. This is an important aspect.

It is very important that a uniform framework be followed both in terms of the basic structure of law as also the rates across the States for ease of tax administration. If the structures will be different, if the tax rates will be fragmented and differential, tax administration, you will recognise, will be so much more difficult. This is also to avoid distortions and most importantly to unify the country's market. It is also true that a number of trade bodies, particularly the *vyapari sanghs*, are agitated over it. We have witnessed that recently, the civil society also has pointed out scope for further improvement in the VAT Bills passed by the States.

In the meeting that the Empowered Committee had on the 23<sup>rd</sup> April, they addressed these issues. They considered the divergences as also the suggestions. The Committee has now proposed and decided to meet again on the 29<sup>th</sup> April when it proposes to address some of these issues. I believe and I expect that the VAT Bills to be presented for Presidential assent in future as also those that have already received the assent, must not only be uniform and in accordance with the yardsticks or the guidelines that we have recommended but they must also incorporate the latest set of recommendations of the Empowered Committee itself in this regard. The stand of the Government of India is clear. VAT is an important initiative. But an important initiative must not and cannot be defeated through faulty implementation. The Government of India is also clear that all major States from all the regions of India should introduce VAT simultaneously so that the benefits of this progressive taxation system reach all our citizens and States and not in a patch work fashion. That is where we stand in this regard.

I might share a very interesting quotation which one of my officers shared with me. It is:

**"VAT may be thought of as the Mata Hari of the tax world. Many attempted, many succumbed. Some trembled and blink while others leave but only to return. Eventually, the attraction of Mata Hari appears to be irresistible."**

We will wait for the eventual. That, I think, is the best I can say so far as the VAT is concerned.

The other issue which excited a great deal of anxiety, also some comments, is about the total textile industry. Now, let me here share that in my Budget Speech itself, I had emphasised how vitally important the textile industry is to the country. I do not wish to repeat what I have said in the Budget Speech. But it was in recognition of the vital importance of the textile industry that I emphasise that the textile industry is amongst the oldest of our agro-industry. We must also recognise that after all textile is a part of the agricultural chain. The more efficient the textile industry is, the greater the benefit to the cotton farmers. It is this chain that I mentioned. In the context of sugar, earlier I said in the morning that sugar is an agro-industry. In a similar fashion, we must accept that textile is actually an agro-industry though we now have the input in that industry of the plastics and some of the hydro-carbon based products. But notwithstanding that, the fact remains that as the largest employer in the country after agriculture, I am committed to both supporting and modernising this industry. It is only in this context that I wish to quote very briefly what I have said during the Budget Speech. I have said that all the other steps that we are taking. I wish to emphasise that in textile industry, just as in the context of steel, we have also undertaken to provide a major economic revamp package to the entire textile industry, but particularly for the power-loom which is most anxious. Let me read out what I have already said. This is so with the other measures, simultaneously with the financial package for the textile industry. I quote:

"Simultaneously, it is necessary to give a helping hand to the power-loomers. For this decentralised sector, it is proposed to strengthen the existing programme for Induction of Technology in the Weaving Sector further by offering a 'Power-loom Package for Modernisation'. This package will have the following three features.

First, the Technology Up-gradation Fund Scheme will be enlarged to cover the modernisation of power-loomers also.

Second, to create a better working environment and obtain higher productivity, a new Power-loom Workshed Scheme will be introduced by the Ministry of Textiles together with the State Governments. Improvement of other infrastructure of existing power-loom clusters will be taken up under the revised Textile Sector Infrastructure Development Scheme.

Third, as a welfare measure, all power-loom workers will be covered under the Special Insurance Scheme, which will provide them insurance cover against death, accident and disability."

Now, this is in addition to the financial package that I have said. Here, the main thrust of the proposal that we had is this.

Before I come to the proposal proper, let me again state very clearly and unambiguously that so far as handloom sector is concerned, handloom remains totally unaffected by this. Handloom is not covered under this. Some queries were raised about handloom. Handloom remains totally unaffected. I might share with you that it is interesting to note how the debate has shifted because in the late 1960s and the early 1970s, the debate really focussed then on the replacement of handloom by power-looms.

And exactly the same voices that I hear today were then raised. The handloom has survived, the powerloom has also come up, but powerloom has to now upgrade itself and move forward. Therefore, I wish to say quite clearly and unambiguously that handloom is unaffected, it will remain unaffected and whether it is Banarasi silk sarees or Kanchipuram or Maheshwar or Chanderi, none of these are going to be affected.

What is the main thrust of the proposals? We must have a moderate rate structure and you will note that the entire rate structure in the whole textile industry chain have all been brought down. We must complete the CENVAT chain. The lack of CENVAT chain and a broken chain there has not served the country's interests. It has served the purpose for which it was intended, but it will not serve the purpose of tomorrow and eliminate the deemed credit which is, no longer, necessary now. Thus, we have to promote a regime that is tax-compliant and to encourage modernisation including also to eliminate evasion.

Sir, I want to make quite clear that we must take on board the reality of the Multi Fibre Agreement which we have inherited. The Multi Fibre Agreement comes to an end towards the end of 2004. In real terms, therefore, we have about 18 months to address the situation and to prepare ourselves thoroughly. India was really the home, along with Egypt, of cotton and it is a matter both of some regret and concern to me that from the number one cotton producer in the world, we have now slipped to number four in the global textile competition. It is a matter of great concern and some sorrow to me that we are behind even Bangladesh today. Bangladesh and Pakistan are born from the same boon. They have outstripped us now. China is ahead of us, Thailand is ahead of us and so there is need for us to reflect as to what we need to do so as to really be abreast of the rest of the world, if not to regain our position.

With this background, let me emphasise that the handloom and the producers of the fabrics are totally outside the ambit of any tax structure and they will remain so. They need not register for excise purposes. Similarly, the interests of the self-employed and the small powerloom weavers will be protected by me through a suitable amendment regarding excise requirements at the time of the passage of the Finance Bill. The Ministry has already clarified that the same principle will apply and that they need not register for the sake of zooming production. I am happy to note that great many centres have already resumed production, including – I am informed – in Malegaon, Bhivandi, Tiruppur and other areas. This is very reassuring to us and I wish to take this opportunity to inform all those who have resumed production that I stand by what I said. We will take care of and we will protect the interests of the self-employed and the small weavers. There is no ambiguity in this regard, there shall be no ambiguity.

I wish to say exactly the same thing in respect of readymade garment producers and with regard to readymade garment producers, I will flesh out the whole scheme of things that had come out as the debate progresses and when it comes to the voting on the Finance Bill proper ...(*Interruptions*)

**श्री बालकृष्ण चौहान (घोसी) :** अध्यक्ष महोदय, पूर्वांचल में जिन छोटे-छोटे लोगों ने पावरलूम के एक-दो करघे रखे हैं, उन्होंने हड़ताल कर दी है। वे 20 दिन से मुखमरी के शिकार हो रहे हैं। उनकी तरफ सरकार को ध्यान देना चाहिए।

**अध्यक्ष महोदय:** यही बात हो रही है।

**श्री जसवन्त सिंह:** आप उन्हें कहिए वे काम पर आएँ। इसमें चिन्ता करने की जरूरत नहीं है। वे बिना रजिस्ट्री किए काम शुरू करें। हम सैल्फ एम्प्लॉयड लोगों के हितों की पूरी रक्षा करेंगे।

Similarly, on the garment industry, I wish to say that the same principle applies to the garment industry. I will take care of the garment industry, manufacture of readymade garments too. Here the factor that will apply is that in the context of readymade garments, because readymade garments are after the chain of production of textile, necessarily it will have some more value addition when it comes to the garment manufacture stage. We will take full care in that regard. I wish to assure here again that those that are self-employed, those that are small operators or those who do not employ somebody else's trade market but have their own trade mark, I will thrash out all the details that they will be fully catered for.

I will attend finally to the third sector, which is hand-processing sector. The hand-processing sector is actually largely confined to certain parts of India. I do not wish to parochialise the servicing but the hand-processing industry has some concerns in regard to this. The hand-processing industry concerns shall also be fully addressed.

I wish to now take the third point, which is regarding Unit Trust. I am happy to announce that the assurances given by the Government at the time of introduction of Unit Trust (Transfer of Undertaking and Repeal) Bill 2002 in the Parliament have been fulfilled, that the bifurcation has taken place. All that is in the knowledge of the hon. Members.

But in order to safeguard the interest of public investors of Unit 64, the Government had offered tax free, Government guaranteed 6.75 per cent bonds. The response to these bonds has been overwhelming. The secondary market quotes of units of US 64 at a premium of the prices assured in May 2003, and the high volumes of transactions are testimony to the success of the restructuring scheme. The last figures available on quotes for US-12 and US-10 are Rs.12.34 and Rs.10.25 respectively. Dividends earned by the scheme will be passed on to certificate holders tax free and the transactions of Unit 64 will be exempt from the Capital Gains Tax.

The Government is, therefore, considering foreclosure of the same Assured Return Schemes as the guaranteed dividend/principal are not sustainable in the current interest rate scenario. Further, the Government will reset the dividend on some of the schemes in line with the earnings of these schemes themselves.

I wish to take a little time on edible oil. In the Budget, I had proposed a CENVAT of eight per cent on branded refined edible oil, but branded only, and *vanaspati* packed in sealed containers for retail sale. I have observed certain distortions in the operation of the scheme. This is not acceptable to me. These will be rectified and I will inform the House at the time of the passage of the Finance Bill of the details in this regard.

I wish to inform the House also in regard to infrastructure. In the Budget I have singled out infrastructure as one of the *panch* priorities. This was in view of the criticality of its efficiency and development for our growth as also for other objectives. I am happy to inform the House that substantial progress has already been made on the infrastructure front.

Firstly, I come to Railways. The National Rail Vikas Nigam, a Special Purpose Vehicle, has already been incorporated. The projects under the National Rail Vikas Yojana to be implemented by this SPV have already been identified. And of these, four projects worth \$153 million, with external funding from the Asian Development Bank, are ready for bidding.

I wish also to share with this House that in respect of the Delhi Metro Rail Corporation, to reduce the capital cost of the project and thereby moderate the fare structure, the Government has waived all duties – excise and customs – on all equipment, including machinery and rolling stock, procured domestically or from abroad for these projects.

I wish to share a few thoughts on the India Development Initiative in the half century of our Independent existence. India has now emerged as an economic power in the region and a systematically important voice to be heard in international fora. To reflect our strong economic fundamentals, I had in my Budget proposals announced an 'initiative' to promote India, both as a production centre and as an investment destination, establishing a Fund called 'India Development Initiative', which, I am happy to announce has formally been established in the Ministry of Finance with a proposed outlay of Rs. 200 crore for 2003-2004 to leverage and to promote our strategic economic interests abroad. The administrative responsibility for ensuring the smooth functioning of the Fund is with the Department of Economic Affairs.

This Fund would basically aim at promoting investment and trade to and from India, also to act as a common pool of resources to ensure synergy by putting together all assistance extended by India to other developing countries. This would enable us to promote India's image overseas through technical assistance and other promotional activities while providing grants for projects including those in the social sector. The Fund would also be utilised for promoting India abroad through suitable publicity measures, for which we have already initiated steps and hope to be able to take decisions soon.

Next I wish to share my thought on two important aspects of the agriculture sector. I had assured the House about the PLR plus or minus two rate of interest that is now operational. And I am committed to improving the system in such a fashion that credit to the agriculture sector is more easily and more readily available. Very briefly I wish to share one thing what I had come up as a query from the hon. Members earlier during the day. There are two very important initiatives of the Government in the agriculture sector, one relating to the plantation industry in the South, and the other relating to another very important agro industry, sugar.

For the plantation industry, Rs. 500 crore Fund was to be established. That has got operationalised, and Rs. 100 crore have already been allocated for it in this period.

For sugar, another very important agro industry, I have already shared with the House that under the Prime Minister's direction, the Inter-Ministerial Group that has been set up, has almost completed its work and I hope to be able to come out with a comprehensive scheme for the entire sugar industry covering both UP, parts of Bihar, Madhya Pradesh, and certainly the southern States, including very importantly, Maharashtra.

I wish to also share some other implementation that has already taken place of the measures announced during the Budget. I am happy to report about the cash management.

If the hon. Members would recollect, I had said that for the management of the allocation of the Demands for Grants of the Ministry, we would be introducing the cash management system. I am happy that this has already been introduced in the Ministries of Food, Fertiliser, Human Resource Development, Rural Development, Health and Family Welfare and Agriculture. This cash management system is to avoid mis-matches between receipts and expenditure and to avoid a rush of expenditure, as we ordinarily witness, at the end of the fiscal year.

Secondly, on the domestic debt of the Central Government, I had announced that the Government proposes to offer a buy-back of high cost debt from banks that are in need of liquidity. I am happy to mention that the debt buy-back scheme has been finalised in consultation with the Reserve Bank of India. It is expected that after the deliberations with the banks, the buy-back will be effected before the end of June.

Regarding the State Government's debt, which is the next objective, we had introduced a Debt Swap Scheme enabling the States to pre-pay high cost debt and substitute them by current, low coupon bearing small savings and open market loans. Already its first tranche of pre-payment of high cost debt of Rs.14,000 crore has been effected last month. We hope to substitute high cost debt of States of, at least, another Rs.30,000 crore or so during the current year, which, in sum, will reduce the overall interest burdens on the States of the Union.

I wish to finally also inform the House that a new pension scheme based on defined contribution has also been finalised. We are in the process of establishing a Pension Fund Regulatory and Development Authority. The scheme will be applicable to new entrants to the Government service and to others in the unorganised sector on a voluntary basis.

I have briefly covered only the essential points. I will now have the benefit of hearing the views of all the hon. Members. But, in conclusion, I wish to re-emphasise that the anxiety that has been voiced in regard to textiles, both power-loom and also for garments must now be still. I reiterate that handloom is not going to be affected at all. We will stand by the handloom industry and we will fully support it.

So far as power-loom is concerned, now the CENVAT chain having been implemented and the deemed credit having been removed now, we will ensure that the self-employed weavers and the small manufacturers in the power-loom sector are fully safeguarded all along, of course, with the entire power-loom sector modernisation scheme. In similar term, exactly the same principle will apply to the readymade garments industry, for which the same priorities will be established. Also, we will take care of the processing industry. I urge upon all the hon. Members to recognise the vital importance of all the steps that have been taken and to lend their support to the Government in its initiatives.

MR. SPEAKER: Motion moved:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 2003-2004, be taken into consideration. "

HRI PRIYA RANJAN DASMUNSI (RAIGANJ): Mr. Speaker, Sir, we have just heard the hon. Finance Minister. The tax to run the Government, both to meet the revenue and capital expenditure as well as the Plan and Non-Plan expenditure of the Government of the day, is reflected by its resource mobilisation plan in the Finance Bill. We have been in this office of the Government of India for a long, long period. We understand the pains of the Government, specially the Finance Minister in dealing with the Finance Bill matters. But ultimately, the political objective of a Government and its priority are mostly tuned, addressed and reflected through its Finance Bill, excepting in exceptional circumstances like war, natural calamities and drought.

Sir, in this Finance Bill, comprising of 161 clauses and 13 Schedules, it would be difficult for any hon. Member of the House to deal clause by clause or interpret the schedules. I would like to be brief in this matter and would like to go to the main thrust of the Bill.

The NDA Government declared an agenda and I quote from their agenda their whole objective:

"â€¦ will bring GDP growth rate to the seven to eight per cent bracket â€¦ "

After three and a half years with all their experiments of tax realisation and expenditure, the position is so bleak it has been well reflected in the Economic Survey. They say, they would control the deficits of fiscal and revenue:

"We will take all such steps as will expedite the implementation of policies and programmes in accord with our national interests and give to the entire national development a human face with total eradication of poverty as the ultimate goal. *Garibi hatao* (eradicate unemployment) is our goal."

This is not a discussion on the General Budget but the hon. Minister should not misunderstand me that I am trying to refer to these things or dragging the debate to a General Budget discussion excluding the Finance Bill. I am just referring to these things because revenue mobilisation both for revenue and capital expenditure through the Finance Bill has to ultimately aim to fight poverty, protect the weakest and also to promote and flourish economic activities in the country to a greater height, where I feel the Government has completely failed.

If we look at the three replies of the hon. Ministers of Finance to discussions on the Finance Bill – the present Minister would reply today but his predecessor has replied on two occasions – we would find every time that what they plan, what they assure us and what they propose get totally derailed, totally misleading the nation. I will produce a few facts now. The receipt budget for 2003-04 gives us the understanding that the Centre's proposed main tax revenue, which was Rs.1,72,965 crore in the budgetary projections and Rs.1,64,177 crore in the Revised Estimates, is Rs.1,84,169 crore. This indicates the increase in the tax collection effort. I must say that in our party we have the highest respect and faith towards the integrity of the tax administration of the Government of India. Excepting one or two black sheep, overall, the tax administration of this country, with highest integrity, has been doing an excellent job over the decades. We have no personal grudge against them.

The Value Added Tax, which you have created, is a recommendation of the task force. Do you consider that it has simplified the tax realisation method? If so, why is the trading community agitating? Why is it that in your own party there is a serious threat and pressure? I am not talking politics; I am talking reality. The taxation departments, both in the Centre and in the States, have failed to understand the infrastructural deficiency of the trading community, from the bottom to the top. I was giving an example the other day that we cannot expect from a small bakery in Rajasthan whose turnover is Rs.10 lakh a year what we expect from Modern Bakery with a turnover of Rs.100 crore. The small bakery depends on a small family to carry loaves of bread every morning to all the houses on a bicycle. If VAT regulates that he would be brought under the provisions of VAT from 1<sup>st</sup> June if he has a turnover of above Rs.5 lakh, how would he calculate what he has to pay? His wife might be an illiterate and he might not be sufficiently educated. In the morning if his son goes on his bicycle and returns in the evening with the day's proceeds, how will he calculate and plan what he has to pay you?

#### **14.45 hrs (Mr. Deputy-Speaker *in the Chair*)**

Therefore, we have been urging this matter. I agree that your wisdom prevailed to bell the cat by putting the responsibility on the Left Front Government's Finance Minister Shri Asim Dasgupta who felt himself highly inflated being the Chairman of this Committee and to think that it was a great job to deal with all the Finance Ministers of the country including of our Party. But I am not opposed to the State Governments' demand of their own requirement. I am not opposed to the very concept of VAT *per se*. But what we are opposing from our Party is that you have got to rationalise the whole thing. A cold drink seller in Connaught Place and a cold drink seller in Mumbai city and a cold drink seller in a village near Pune or in a village of Kerala – they are all not the same, having the same kind of infrastructure to respond to your queries. This is what I have not been able to convince anybody.

Therefore, my whole approach was that you keep the entire collection of VAT and regulations and not abolish it but stay it for a year; you understand its slabs and the rationalisation and find out the mechanism or a system and find out what kind of people, what kind of trading community do trade above Rs. Five lakh and below Rs. 50 lakh and see what is their infrastructural support and then do it. We do not mind. But if you do it arbitrarily or deliberately because the States have failed and because the Centre did not give the due share to them in time and because the Centre-States relations on the financial management is at a jolt and, therefore, they should be penalised and taxed – this is not a correct position. I talked to many of the Members from the BJP and they also shared the same concept. Possibly they told you in your Party meetings.

I tell you, Mr. Finance Minister, that I do not say that it is your scheme. But it is your task force's recommendation and you cannot deny that you have no responsibility into it. You have a responsibility and, therefore, my first appeal today in the discussion on the Finance Bill is that the operation of VAT regime be stayed for a year; you rationalise it slab-wise and give the input support of the infrastructure and plan the mechanism taking all into confidence now. You stay it at least for a year. This is my first submission.

The second point which I am submitting is that the NDA Government and the hon. Minister of Finance also rode on

the top pertaining to their concern for the defence. The hon. Minister of Finance had a very brief opportunity to serve in the Ministry of Defence as the Defence Minister and he was an outstanding army person in his career for whom we have the highest admiration and respect. He knows better than any one of us in the House about the burden of the Army, their commitment and their economy.

Last year, your predecessor in the Government imposed a surcharge on the tax to the tune of five per cent and you increased it to the tune of 10 per cent this year which is called the National Security Requirement Tax. It sounds well. The people came forward saying 'why should we not pay a little more for the national security'. Mr. Finance Minister, you know better that the whole object of this was that this particular collection should be utilised for defence requirement, to update them, to modernise them and you said it also in your Budget speech for this year. I can quote from the relevant paragraph of your speech; but I do not want to take the time of the House.

But, what has happened on this very surcharge provision for which I spoke the other day? Paragraph 44 of the Report of the Standing Committee on Defence says and I quote :

"On being enquired by the Committee about the fund generated as a result of five per cent surcharge levied by the Government on taxpayers in the name of national security during the year 2002-2003, the Ministry of Defence have furnished a rough estimate of the collection of Rs. 4,253 crore in this account. Similarly a sum of Rs. 2,800 crore is likely to be collected during the financial year 2003-2004 as a result of the 10 per cent surcharge levied by the Government on the taxpayers earning more than Rs. 8.5 lakh per annum. The Ministry of Defence further informed that 'the amount generated through surcharge as levied by the Government is a part of general revenue of the Central Government and expenditure provisions are made to the Demands for Grants of the Ministries/Departments approved by the Parliament.'"

I agree that it must go to the General Revenue, but the Standing Committee on Defence found that it was not realised exactly for Defence. Do you not think that it is a kind of betrayal of the sentiments of the people who paid this particular surcharge tax to further update and modernise the Indian Army and the Armed Forces. I do not want to take advantage of this Finance Bill to discuss Defence matters, but the common slogan in this country right from the day one of attaining freedom has been that whatever tax is required for the Defence of the nation, the people are prepared to pay. Parliament said it cutting across party lines and yet today, we had to hear through a Report that Defence allocations for the capital expenditure could not be utilised to the tune of Rs. 10,000 crore. The recommendations of your Cabinet, the DPB, for purchase of Defence items worth more than Rs. 50,000 crore have not been materialised. Therefore, we raised the issue day before yesterday that if the tax-payers money, to which we give mandate through the Finance Bill, does not reach to the cause of the Armed Forces, who defend our country, it is not good. What a shocking news item in the newspaper appeared today that the highly equipped nation like India couldn't arrange the bullet-proof jackets for its Army at the border! You have seen Subrahmanyam Committee Report on Kargil and you also had a committee of group of ministers on that. You got the recommendation; yet, defence is being highly compromised.

Who prevented this Government from buying advanced jet trainers? We do not know this because the Government never took us into confidence. Only through media, we are hearing that the Government is confused or still to decide whether to buy them from the Czech or the British. Which is this Czech firm? Which is this British firm? I would not like to make such kind of allegations or insinuations without any substance, but when such kind of news comes in the print media, without being contradicted, the tax-payers feel the pain and feel that 'we pay whatever the Parliament demands and at the end of the day, we find a net result like this.' Therefore, I would request the Finance Minister to read the 19<sup>th</sup> Report of the Standing Committee on Defence. He himself, as an ex-Army man, understands the pain and agony in these Services – the Air Force, the Navy and the Armed Forces – on this issue.

You have said today during intervention on Appropriation Bill that the issues related to ex-Army men have been taken care of. You did not inform the House when I raised this issue. On grievances, the Report says one-rank-one-pension policy, which has been a demand and which was recommended by the Fourth and Fifth Pay Commissions, is still not considered by the Cabinet. Therefore, you cannot say that the main agony of the ex-servicemen has been resolved. I am saying all these things because the tax-payers money is involved.

Mr. Speaker, Sir, as per the revised estimate of 2003-2004, in the Budget Estimates, the total expenditure is estimated at Rs. 4,38,795 crore, of which Rs. 1,20,974 crore is for Plan and the balance is for Non-Plan. The proposals of total revenue receipt of the Centre are of Rs. 2,53,935 crore and the fiscal deficit, according to the Finance Minister, is Rs. 1,53,637 crore. It is a terrible and miserable scenario of the country, where you failed.

I know that in your initial remarks, you have tried to take the House into confidence as to which are the sectors that

came in your mind to consider for exemption, concession without moving any amendment, of course. Possibly, you want to take our views for the next three days and at the end of the day, the views of the BJP, very strongly as to what will serve the purpose and what will not serve the purpose in terms of election, will prevail. That is different. I know it. That is your political exercise. When you came to the office, you claimed good governance. Good governance is your basic slogan.

Then why are you imposing increase in taxes? It is because you cannot govern in a manner that we desire. I give you an example. Mr. Deputy-Speaker Sir, only yesterday, that is on 24 April in my Unstarred Question 4817 I asked as to which are the delayed -- I am talking only of one project, and I am not talking about other projects -- ongoing hydro electric power projects, -- Shri Geete is here -- and what is the cost of their installation? I give the example of good governance. Sir, the figure is horrifying. In this, a project which was conceived in 1999 with Rs. 601 crore stood now at Rs. 1,578 crore; a project which was conceived in 1994 at Rs. 1,200 crore is now at Rs. 3,560 crore; a project which was conceived in December 2001 -- remember December 2001 -- which was revised in March 2002 at Rs. 15,780 crore is now at Rs. 70,666 crore; a project which was conceived in 1996 with Rs. 1,551 crore is now at Rs. 3,267 crore; and the total additional project cost is now reaching an amount of Rs. 16,000 crore. What are the reasons for exertion of additional cost for a project? It could be because of law and order problem, delay in tying of funding, withdrawal of the money by the world bank, no comprehensive group being ready, fund constraints, delay in land acquisition, etc. I do not say that there cannot be reasons. Then, what is good governance? If in one project, in one sector, out of the 100 projects of India, the escalation is Rs. 20,000 crore, how do you take the Parliament into confidence that NDA's proclaimed agenda of good governance is taking steps? I am talking of one step, and I can tell you about similar other projects besides Hydel. My estimate is that the escalation of the official project cost till this date is now Rs. 1 lakh crore. Government may come and Government may go, but who will pay? It is the tax payers of the country. Is it because of lack of our monitoring; lack of Cabinet appraisal; and lack of guts?

Now, I will give you another example. We know the country's judiciary, and we respect it. We also know that the Parliament is supreme. The Finance Minister bear with me, I do not blame the Finance Minister. If a small trader cannot pay the VAT in time, he will be booked by a police inspector; if a small tax payer cannot file the return in time -- he has no lawyer, and he cannot afford -- then he will be penalised. But a company called ITC has cheated the nation to the tune of Rs. 20,000 crore of excise duty and are paying their Counsel in whatever manner they like to kill the time, and still the matter is pending in the court regarding Rs. 20,000 crore of excise evasion by a house like ITC. Why is it so? You cannot say what I can do, and still that matter is not disposed of. Is it because of lack of our monitoring; is it because of lack of our counseling; is it because of lack of our improper affidavits? These days people say that there are connivance. Why would the Government be deprived of such realisations up to the tune of Rs. 20,000 crore? I hope the Minister will give a full status note on the ITC, as to what is happening on this front.

Mr. Deputy-Speaker Sir, to accommodate Shri Rupchand Pal I will be too brief now because he is also going back to *Panchayat* elections against us, and I am also going back for *Panchayat* elections against him. Therefore, I must accommodate him.

Mr. Deputy-Speaker Sir, the Minister has just now mentioned about some exemption on Metro. I congratulate you for your concern for the Delhiites for the beautiful Metro that has come up. But, please convince the House as to who will gain from this exemption of customs, and all those duties. Who will be the beneficiaries in this? The beneficiaries are the contractors. It is because the contractors have already entered into an agreement with you in Delhi regarding the Metro Rail, of which our distinguished friend Shri Madan Lal Khurana is the Chairman.

**15.00 hrs.**

If you withdraw the customs duty and other things now, who is going to be benefited - the Government, the people in terms of reduction in ticket rates, or the contractors? While you reply to the debate, you must explain this. On the one hand, I am feeling happy, but on the other hand, I do not know what is happening inside. Therefore, you may kindly explain this matter pertaining to this sudden exemption.

Eight per cent excise duty has been re-imposed on agro-based products, in the Union Budget proposals for 2003-04. We have received requests saying that this excise duty exemption under sub-heading 4407 should be continued. You may consider this because this was a commitment made in your manifesto, which I can quote, that you would take care of the agro-based industries and their products.

On excise duty exemption on readymade garments, he gave an idea, though it is not very specific. I agree with you, Shri Jaswant Singh, so far as brand-names are concerned. Please do not spare them because I fully agree with you. However, in India, if you take the statistics, 85 per cent of the readymade garments used by the Indians is stitched by small tailors and small groups in the hearts and suburbs of the country. They buy the cloth and stitch them. What kind of mechanism you will have to see that they are totally exempted from the tax? When you say 'Trademark', it becomes a dangerous term because in a city like Howrah, which I represented twice, people make readymade garments under household names -- sometimes, they put the tailor's name, for example, 'Moulana', on



the collar and, sometimes, they register it in the name of 'ALO'.

SHRI JASWANT SINGH: If it is his or her own brand-name, they are out of it, but not if it is somebody else's brand-name.

SHRI PRIYA RANJAN DASMUNSI : That is fine. If you give these clarifications, it will be quite convincing to us as to what is the intention of the Government. My appeal to you is that you may ask your Tax Department, who are most competent, sincere, and I have no doubt about their integrity, to give you the figures before the 30<sup>th</sup> as to what percentage of the readymade garments manufactured throughout the country is under the brand-name or the trademark and what percentage of readymade garments is manufactured by the common people. If my facts are wrong, I will correct myself. As per my study, I have been very closely serving these people in Metiaburuz and other places, 85 per cent of the people are engaged in this work. Even in Uttar Pradesh, I am told, only nine per cent wear readymade garments of brand-names, and the rest wear the local-made readymade garments. The only way to protect these people is by giving exemption to the whole thing.

So far as the North-Eastern States are concerned, I fully agree with the contention of the Government -- the Deve Gowda Government gave excise exemption to that area for industrial development and other things, which continued for some time -- that a few black sheep went there and exploited it. They did not do the justice as desired; they manufactured things in Calcutta and Delhi, dumped it there as if they were manufactured there, and took the exemption. I fully share your views. You should punish them. However, for one, two, or three black sheep, do not try to put the entire North-East in the basket and withdraw all exemption facilities.

After the settlement of the insurgency problem in many places -- I hope, your accord will provide a fruitful solution -- the young people there want to engage themselves in some creative activities and in generation of employment. Maybe, some industries may have to go, in Assam alone. I am opposed to the use of *gutka*, all kinds of *pan masalas*, tobacco and chewing tobacco products. I thoroughly oppose it. You can impose whatever tax you want to impose on these products because it is the only way of keeping the people free from these habits.

I am told, in these sectors, the North-Eastern people are working in such large numbers that if they feel that they will be out of jobs, then they may go back and take up guns again. This is a serious psychological issue. You may kindly look into it. My colleague, Shri Sangtam, will elaborate it a little later.

I now come to the issue of taxing the income of Kashmiri Pandits. The Finance Minister knows that no exemption can be given to any specific group of employees under the Income Tax Act. However, some of their representatives met me yesterday evening and told me that the salaries of Kashmiris engaged in Government service and staying away from their State have been exempt from income tax from the days of Dr. Manmohan Singh. I was told that this was done year after year by an executive order but that order was withdrawn this year. I would request the hon. Finance Minister to kindly look into this issue and extend this facility to those people. It is a very sentimental issue. The Prime Minister, the country, and everyone -- irrespective of the party line -- is committed to this. So, I would request the hon. Finance Minister to kindly look into this issue and do the needful.

I would now like to make a few suggestions, which I would request the Finance Minister to consider. One of my suggestions relates to the people engaged in sports. While Pandit Bhimsen Joshi can sing good classical music at the age of 80, Sunil Gavaskar cannot play in the field post-30. The appeal I am going to make now is an appeal being made by the sports fraternity representing all disciplines of sports. The prime time of their lives is spent in playing for the country. They cannot earn their living out of their talents when they grow older. Therefore, they all make an appeal through me for tax exemption on their earnings up to the age of 30 years. Could you specially consider this proposal of not taxing the earnings of active sportspersons up to the age of 30?

I can tell you about many sportsmen who are now in such a situation in which they are not even able to pay for their medical bills. Mahavir Prasad, a great Olympian, died without any money. Chandrasekhar of Bihar, who is retired now, is not able to buy his daily bread. There is the case of Mohammed Habib in Andhra Pradesh. ...*(Interruptions)* After 30, neither Sachin Tendulkar will be able to show excellence nor Prakash Padukone. I, therefore, urge upon the Minister to exempt the earnings of sportspersons, actively in the field of sports, up to the age of 30 years.

Indira Awas Yojana is one of the key components in the rural development schemes which are meant for the poorest of the poor in the villages. It is budgeted from the Rural Development Fund. The funds made available by the Government for this scheme are limited. The Government cannot come to the rescue of more than two-three people in a block. Therefore, I request the Minister to find a mechanism by which the contributions made by individuals and organisations to the housing schemes meant for Scheduled Castes, Scheduled Tribes and landless labourers in any part of India through Panchayati Raj can be exempt from tax. This would give a tremendous boost to housing activity in the villages and it would help in fighting poverty and providing protection to the landless labourers. It would not be a big problem for a rich man or an industrial house to pay Rs.1 lakh to Rs.10 lakh for the purpose of a rural housing scheme. He can get thirty houses constructed if he is given tax exemption for this

purpose.

I now refer to the unemployment problem. Of course, the Prime Minister's assurance of creation of one crore jobs a year gave rise to a sharp debate in the country, and we will take it up later on. I would like to make a request to the hon. Minister in regard to the self-employment schemes. In cases where an unemployed young man, or a group of them, certified so by the Employment Exchange, take a bank loan and start an industry with a maximum limit of Rs.50 lakh, for five years they should not be charged any tax. If this is done, it would boost the morale of the unemployed youth in the country. Earlier I asked for exemption up to a maximum limit of Rs.5 lakh only. Now I say that the maximum limit should be Rs.50 lakh because the machinery itself is costing about Rs.15 lakh to Rs.18. Irrespective of the type of industry the unemployed youths start, they should be given exemption. A number of unemployed youths have been writing to me in this regard. They start paying out from the day they take the loan from the bank. First they pay the interest on loan to the bank, then they start paying for various facilities like electricity connection etc. Then if they have to start paying tax, they would be fed up with all this. So, I would request the hon. Minister to please consider giving them exemption for five years. Computer industry is given this exemption. I would request that it should be given in the case of these unemployed young people of the country.

My next suggestion is related to tea industry. Tea industry in India is languishing. Tea industry is divided in two parts. I am not talking about those companies which process, package, and sell branded tea. I am not asking for any exemption to be given to them. I am talking about the tea estates, the tea-growers who actually produce tea in their own factories. In order to ensure that this industry gains enough strength to meet the challenges posed by foreign competitors in the wake of liberalisation and other things, I would request the hon. Minister to give them exemption of excise up to two years?

Sir, about the jute mills, the hon. Minister gives excise exemption on a condition that the remunerative price of the jute growers would be increased.

Then, about the infrastructure, he has been doing enough. I have a personal request, as a Member of my Constituency, about the Indo-Bangladesh Food Export Project, which I mentioned, in Radhikapur. Radhikapur, in my district, requires only Rs. 20 crore. If this amount is provided, it would give employment opportunities – believe me or not – to 15,000 to 20,000 persons there straightway. They cannot go because of lack of bridge and infrastructure. Shri Arun Jaitley has replied to me that he is considering the matter being the Commerce Minister. In this regard, I am requesting the hon. Finance Minister also to help. From the MPLAD also we are contributing for this project.

Sir, I hope that at the end of the day, the hon. Minister would come out with positive announcements on 30<sup>th</sup> April. I will miss him.

I have told him privately and I am telling it again that he should give support to sports. If an industry contributes to the sports which is recognised by the Government of India and the apex body of Olympic, and if it submits the annual accounts to the Ministry of Sports regularly, it should be given the support. Those who will contribute their money over training, infrastructure and promotion should be given tax exemptions.

Lastly, Sir, I would say about the MPLAD fund. At the requests of all the hon. Members, the hon. Speaker referred the matter to the hon. Prime Minister. Please do not misunderstand us for one or two incidents of Uttar Pradesh. I can say with authority that by and large, in the 13<sup>th</sup> Lok Sabha, the hon. Members of Parliament are utilising the maximum amount for the welfare of their areas from the MPLAD fund. Therefore, Sir, if the hon. Minister can increase the MPLAD fund, at least, by Rs. 1 crore, it would be an additional strength for the development.

With these few words, I conclude.

SHRI RUPCHAND PAL (HOOGLY): I thank you, Sir, for giving me this opportunity and I also thank Shri Priya Ranjan Dasmunsi for delivering a very nice speech. I shall be as brief as possible.

MR. DEPUTY-SPEAKER: Now, Shri Rupchand Pal, you have got 20 minutes. Then, at 15.30 hours, we will take up the Private Members Business.

SHRI RUPCHAND PAL : Sir, by that time I would finish my speech.

Sir, the problem with our taxation system is that in spite of the very valid recommendations made by the eminent persons, experts from Dr. Raja Chelliah to Shri Kelkar, and even before that, the basic distortion in the taxation system continues to be there. That basic distortion is that those who can afford to pay do not pay; and those who cannot afford to pay, have to bear the burden.

I am just giving an example in relation to the direct taxes. When the Government is expressing concerns regarding the low tax-GDP ratio in the country, we do find that the number of rich people under the high tax bracket with more

than Rs. 10 lakh per year is coming down over the years. In this year, for the first time in the last seven years, the number of people declaring their yearly income over Rs. 10 lakh has dipped. It has come down to 71,000 individuals/ Hindu Undivided families. It was 76,140 last year, during 2001-02.

Sir, in a country of 110 crore people, only 71,000 individuals are declaring that their income is more than Rs. 10 lakh a year. I am giving one example. How many luxury cars have been sold in this country during this period? According to a very reliable estimate done by the Government, more than one lakh luxury cars have been sold during this period.

More than one lakh luxury cars had been sold and the total number of people declaring their income of more than Rs.10 lakh is only 71,000. The tax rates have come down, but there is lesser and lesser compliance. So, I am saying that those who can afford to pay, those who are supposed to pay, those who are rich, those who are in the highest income group, are not paying and the salaried class who cannot escape, the pensioners who are dependent on the earning from the interests on the small savings are hit hard. This is the anomaly in the system. We want to know this from the Government. What does the Government propose to do?

I am told that only the owners of farmhouses in the surroundings of the southern part of Delhi own unaccounted money which is fabulous compared to any international standards. What is the amount paid by them as income tax? This is the question.

Many things have been said about black money, parallel economy, unaccounted money, many committees, announcements, pronouncements, etc. But today we have forgotten that money from India is going outside and from there, towards several schemes, they are coming back to India. I am not mentioning about any particular resurgent schemes where cost of service is still very high. In the Indian situation, the Government is ignoring this factor that the people in the highest income group, both individuals/Hindu Undivided Family and also the corporate sector are not being taxed; the number of such individuals is 71,000.

Then, I would talk about both Central excise and customs. The customs rates are being brought down as per the stipulation, as per the WTO provisions. What is happening to our indigenous industry? It is being asked, what can be done. You can look at what is being done in other countries which have also joined the WTO, how they are protecting their domestic industry, how they are protecting their small industries, medium industries, etc. But this Government is not looking into the interests of the small-scale sector, indigenous sector. Rather, whatever reservations had been there to protect the small-scale sector are being withdrawn. Dereservation is being done one after the other. The hon. Minister has said at the very beginning that the ready-made garments sector, powerloom sector, handloom sector and all these sectors, can join work, that they have nothing to worry about, etc. But he has not stated that the withdrawal of excise duty exemption is being again withdrawn by the Government. He has not said anything specific about it. What we want to know is what is going to happen actually to the small-scale sector, if such dereservation continues, withdrawal of protection and withdrawal of exemption in respect of central excise continues, particularly in a situation when the customs duties are being slashed down sharply.

I have a point to make. I shall be brief as I told you. I will talk about service sector taxes. It is being proposed that Rs.8,000 crore would come from service sector. Is it possible? I candidly ask: is it possible? There are also definitions about new categories. Many experts have expressed confusion about categories. I am now taking one category, 'business auxiliary services'.

What does it mean? He has defined, rather tried to define it as:

" Promotion, marketing or sale of goods produced or provided by or belonging to the client any incidental or auxiliary support service such as billing, collection or recovery of cheques, accounts and remittances. "

He again says that the IT service is out of the purview of the service sector. What will happen to the BPO companies, the call centres which are being paid in foreign exchange? There are call centres that are working not full-fledged IT base; a part of it is under labour and a part of it is under IT service. What will happen to them who are working inside the country but again being paid through foreign exchange? What will happen to the medical transcription which was out of the purview of the service sector? The call centres, in a country like India, have the future. Who can deny that IT-enable service is an area which will provide employment if proper planning, proper encouragement is given? I would like to know this more particularly after the competition emerging from Philippines, East Asian countries as also from our neighbourhood. On the top of it, the New Jersey Bill is coming. They say that the outsourcing of the activity, as is being done right now through the call centres in India and other places, should be done within the country itself. On the one hand, the competition is emerging and, on the other, such threats are there. On 61 new items service tax is being imposed. In such a situation, I would like to say that the areas that are to be taxed should be very clearly defined, otherwise a host of litigation through the whole period will continue and I

do not think the goal of utilising Rs.8,000 crores from the service sector will be achieved.

My colleague Shri Dasmunsi had said that in the North-East, to encourage industrialisation, certain exemptions had been given which were misused. A reference was made by him about the cigarette major who actually had been manufacturing cigarettes elsewhere. They say that the job work is done and since it is a job work, no taxation is imposed. The situation is worsening since 1987. Hundreds and thousands of crores of Rupees are evaded by the cigarette major and nothing is being done. I have asked a question. Can the internationally accepted definition of manufacturing not be applied to this particular area? They are using the loophole by saying that it has nothing to do with the activity of manufacturing as they are doing the job work. Can this loophole not be plugged? One may conclude and say, 'withdraw all the exemptions'. I am not in favour of *pan masala or gutka* but it is true that a large number of young people and women are engaged there. I think the Government should reconsider the whole situation.

I now come to the Gratuity Act, 1972. In the year 1997, Shri P. Chidambaram, when he was the Finance Minister, had stated that the ceiling of Rs.2.5 lakh in respect of the Central Government employees at that time would be extended to all other employees. The Fourth Pay Commission had suggested that there should not be any such ceiling. It is happening, for example in the jute mills in Bengal. In the Eastern part, the income of any ordinary worker is such that it is beyond the ceiling.

What is happening is that they do not enjoy anything in terms of gratuity.

I would like to submit that due to historical reasons, good quality jute was grown in the Bangladesh part but the jute mills were situated in this part of Bengal. The jute industry has to face competition from the plastic sector. There are many other new problems coming up for this sector everyday. Therefore, I would submit that necessary concessions need to be given to this sector. In spite of powerful plastic and synthetic lobby prevailing on important quarters, jute has a future. We know that there is lobbying. But still I would like to earnestly appeal to the hon. Finance Minister to re-consider the jute sector for giving it some concessions. Tea industry should also be given some concessions. There is sickness in the tea industry. Many problems are being faced in Eastern India as far as tea sector is concerned.

Sir, it was assured that PAN will be provided within a specified time, but even now we find that there are many complaints. I have received many complaints regarding non-receipt of PAN for a long time. Could it not be assured that those who want to have a PAN, they will get it immediately? On the other hand, misuse of PAN is taking place. Sometimes father's name is common and sometimes mother's name is common. Sometimes the address may also be common. I had made a suggestion to increase the number of fields. As in the case of credit cards, to ensure privacy, the date of birth is taken, mother's maiden name is taken

, etc. so, the number of fields can be increased in this manner. I had made a suggestion to the concerned people and they had agreed that the existing software need to be improved in such a manner that PAN cannot be misused as it is being done today.

Lastly, this Government has promised so many things. I had repeatedly raised one thing and the hon. Finance Minister has stated that this is not his concern. It is being said that interest rates are being slashed down taking into account the inflation rate which has come down. It is being stated that the administered interest rates will now be bench marked to the average annual gains of the Government securities of equivalent maturity in the secondary market. Accordingly, it is being reduced. Dr. Rangarajan in his report of the Statistical Commission has specifically mentioned that the measurement of inflation in Indian situation is incorrect. I am not quoting part 11 regarding the language. When I raised this issue at the appropriate level, I was told that a Task Force has been set up and an interaction is taking place about wrong basket. It is because on many occasions we find that there is no relation between the Wholesale Price Index and the Consumer Price Index.

The rate of inflation is wrongly calculated. The service sector accounts for more than 50 per cent of the GDP, but the service sector is still not accounted for in the WPI. This is the anomaly. This is not what I am saying. What I have repeatedly been saying has been corroborated by Dr. C.Rangarajan.

Sir, I would like to urge upon the hon. Finance Minister – though he has stated that all these matters, such as measurement of inflation rates, reduction of interest rates and tax in the service sector, would be taken care of by other Departments – to look into these issues.

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