

[Translation]

SHRI LAKSHMAN SINGH : Even now, you are leaving the right of taking such decision on Secretaries, and whether in that representatives of people will not be involved? It is not appropriate that such an important decision is taken by a secretary.

SHRI DILIP RAY : We shall ask the Consultative Committee.

SHRI MOTILAL VORA : Hon'ble Speaker, Sir, I would like to ask the Hon'ble Minister that this dispute pertains to a period between 15.3.1991 to 31.12.1993 and this continued for 2 years. The government had constituted a Committee of Secretaries. How many sittings of the said Committee took place till now? The dispute is between Gujarat Electricity Board and Coal India Limited regarding quality of coal and the interest on pending amount. The matter was very that the quality of coal of Coal India Limited was not good and the interest was also included in payment which has to be made. My question is simple that the dispute which continued from 1991 to 1993, whether you will make any special effort to settle that dispute in 1998 itself. Just now you have said that the claim is about Rs. 785 crores and as against that an amount of Rs. 100 crores was paid. Whether any decision will be taken with regard to the remaining amount till the end of this month?

[English]

SHRI DILIP RAY : Sir, as I already mentioned, out of Rs. 763.73 crore, we have got to sort out only Rs. 29.05 crore. For this, we have fixed up a meeting on the 21st.

As far as interest is concerned, it has already been adjusted. We agree that there is a great slippage and for that Rs. 134.21 crore have already been adjusted.

[Translation]

DR. C.P. THAKUR : The quality of coal is the first requirement of power plants. Instead of first class coal you have supplied third class coal as a result of which functioning of many power plants were affected and they closed down. Whether government will get the sampling done at 3 sites - one at the time of loading, second at the time of unloading and third when coal is sent in power plants. Whether government will appoint an Independent Body for testing quality of coal, as it is done in the case of Drugs so that it can check the sample and payment is made accordingly by the power plant.

[English]

SHRI DILIP RAY : It is not possible to do it at three places. But we have already decided to do it at two places and independent bodies are also being engaged for doing the sampling work.

## TAXES ON ALLOWANCES

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\*243. SHRI SATNAM SINGH KAINTH:

SHRIMATI BHAVNA DEVRAJBHAI CHIKHALIA:

Will the Minister of FINANCE be pleased to state:

(a) whether all the allowances such as DA/CCA/H.R.A. etc. being paid to Government employees/officers are taxable;

(b) whether the Government are aware that allowances are being paid subject to increase in price rise and to compensate the Government employees for House Rent Allowance, etc.;

(c) if so, the reasons for which the tax is being charged from the employees thereon;

(d) whether the Government are aware of the resentment amongst Government employees on this account; and

(e) the remedial steps being taken by the Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE & INSURANCE): (SHRI KADAMBUR M.R. JANARATHANAN) : (a) to (e) A Statement is laid on the Table of the House.

### Statement

(a) No, Sir, all the allowances being paid to Government employees/officers are not taxable.

DA and CCA are taxable allowances.

House Rent Allowance is taxable subject to the conditions specified under section 10(13A) read with rule 2A of the Income Tax Rules, 1962.

Under Section 10(14), a number of special allowances which are incurred in relation to specific official duties, have been prescribed/notified, which are not taxable. These include Transport Allowances, Hill Compensatory Allowance, Border Area Allowance, Disturbed Area Allowance etc.

(b) Yes, Sir.

(c) Tax is being charged from the employees only on those allowances which are taxable under the statute and form part of the "salary".

Since DA, CCA and HRA are given as part of the salary, same are taxable in the hands of the employees.

(d) and (e) The Government has received suggestions from the cross-section of the society including the employees.

The Govt. has proposed several remedial steps in the Union Budget 1998 to reduce the Tax burden of taxpayers including Govt. employees. These include:-

- (i) The threshold limit of income liable to tax has been proposed to be increased from Rs. 40,000 to Rs. 50,000.
- (ii) To mitigate hardship of employees receiving salary upto Rs. 1 lac, the limit of Standard deduction has been raised from Rs. 20,000 to Rs. 25,000.
- (iii) After revision of the salaries of Central Government employees, the transport allowance paid to officials is also exempt under section 10(14) of the Income-tax Act subject to a ceiling of Rs. 800/- p.m. as per notification issued under section 10(14)(ii) read with Rule 2BB, S.O.No. 395E dated 13.5.98.

[Translation]

SHRI SATNAM SINGH KAINTH : Mr. Speaker, Sir, Hon'ble Finance Minister has said that D.A. and C.C.A. are taxable allowances. With the increase in prices government releases D.A. and if there is no increase in the prices, government will not give any D.A. I do not know why D.A. is taxable because D.A. is given to compensate the increased cost. Through you, I would like to ask the Hon'ble Finance Minister that whether government will review all these decisions and exempt D.A. and C.C.A. from tax?

[English]

SHRI KADAMBUR M.R. JANARTHANAN : Sir, there is no proposal before the Government to exempt them because Dearness Allowance, City Compensatory Allowance and House Rent Allowance are taxable subject to the conditions specified under section 10(13A) read with rule 2A of the Income Tax Rules, 1962. Anyhow, the special allowances have been exempted from the taxes under rule 10(14).

Further, I want to tell the hon. Member that Dearness Allowance, House Rent Allowance and City Compensatory Allowance are in the nature of allowances towards personal expenses. The scheme of income-tax does not provide for reduction of any expenditure personal in nature.

Further, it was a long pending issue of the salaried class to raise the income-tax slab. Therefore, this Government has increased it to Rs. 50,000/-. Now, twenty

lakh people are out of the income-tax net. Thus, the Government is providing all the help possible to the salaried class. Therefore, there is no proposal to exempt the Dearness Allowance, House Rent Allowance and City Compensatory Allowance from the purview of the income-tax.

[Translation]

SHRI SATNAM SINGH KAINTH : Hon'ble Minister has said that government has no such proposal under consideration. In part 'c' of written reply, Hon'ble Minister has admitted that D.A. and C.C.A. are part of Employee salary. If government considers it as part of salary then why it increase only D.A. When there is price rise. Why basic salary is not increased?

[English]

SHRI KADAMBUR M.R. JANARTHANAN : Sir, the Government is, of course, helping the salaried class people by increasing the Dearness Allowance as per the Price Index. But once again I may tell the hon. Member that Dearness Allowance and House Rent Allowance are in the nature of payments towards personal expenses. Therefore, they come under the taxable category.

[Translation]

SHRIMATI BHAVNA DEVRAJBHAI CHIKHALIA : Mr. Speaker, Sir, government employees and officers are getting all allowances like Dearness Allowance, City Compensatory Allowance and House Rent Allowance. They get D.A. when there is price rise. Last month the Government has taken a very good step by exempting tax on Transport Allowance. Whether government are considering to exempt tax on Dearness Allowance also?

[English]

SHRI KADAMBUR M.R. JANARTHANAN : Sir, I have already answered that in order to mitigate the hardship to employees getting salary up to Rs. 1 lakh, the limit of Standard Deduction has been raised from Rs. 20,000 to Rs. 25,000. Therefore, there is no proposal to exempt DA, CCA and HRA. Even though Dearness Allowance is related to the Price Index, it is in the nature of payment towards personal expenses. Therefore this comes under the taxable category.

PROF. A.K. PREMAJAM : Sir, as per the answer given by the Minister, since DA, CCA and HRA are given as part of salary, the same are taxable in the hands of the employees. But since DA is varying as per the Price Index, I want to know whether the Government will consider an amendment to exclude DA from the term 'salary'.

SHRI KADAMBUR M.R. JANARTHANAN : Sir, there is no such proposal before the Government.

[Translation]

SHRI SATYA PAL JAIN : Mr. Speaker, Sir, the Hon'ble Minister in his reply has said that Dearness Allowance, City Compensatory Allowance and House Rent Allowance are given as part of salary and therefore they are taxable. Recently, the income-tax limit which you have increased from Rs. 40,000 to Rs. 50,000, has provided relief to some employees. It is also a fact that only Employee class is one such class which is paying its tax correctly and does not conceal anything. In your reply, you have also said that no such proposal was under consideration of government and therefore it has not considered that it should be exempted from tax. I would like to know from the government that considering the price rise in future and the problems of employees, whether it would like to examine that D.A., C.C.A. and H.R.A. should be exempted from income tax? This will not affect government because not much amount is recovered in such manner. Therefore, in future whether government will consider to make these allowances tax-free so that employees could get relief.

[English]

SHRI KADAMBUR M.R. JANARTHANAN : Sir, I quite agree with the feelings of the hon. Member. But, at the same time, I want to reiterate that the income-tax exemption limit itself has been raised from Rs. 40,000 to Rs. 50,000 when this Government is passing through a difficult period. This Government came to power when there was a recession in industry and when the whole economy was zero. But still we have increased the exemption limit from Rs. 40,000 to Rs. 50,000. Therefore, it may be a good suggestion but the Government cannot give an assurance at this stage. However, the salaried class people's tears have been wiped out by this Government. If the hon. Members see the statistics, out of nearly 39 lakh employees of the Central Government, only two lakh employees are coming under the category of taxpayers and the remaining 37 lakh are outside that category. Therefore, it may be a good suggestion but the Government cannot commit and give an assurance at this stage.

PROF. P.J. KURIEN : Mr. Speaker, Sir, I would submit that these questions are raised by the hon. Members to convey to the Government the feelings of the Members also. As you know, the inflation is going up and the cost of living is also going up. You are very well aware that the salaried class are the only people who pay income tax correctly, because they cannot do anything otherwise. This request for exempting DA, HRA and CCA from income tax is a genuine request from all the Members of this House. The whole House is unanimous on this point.

So, keeping in view the sense of the House, in view of the fact that it is a question of small amount only and also the fact that the salaried people are paying income

tax correctly, will the Government consider the proposal of exempting HRA, CCA and other allowances from income tax?

SHRI KADAMBUR M.R. JANARTHANAN : Sir, the veteran Member Prof. Kurien has spelt out the feelings of the House correctly. I do not deny that. But in the present financial position and also considering the legal position so far adopted, we have raised the threshold limit of income liable to tax from Rs. 40,000/- to Rs. 50,000/-, in the Budget. By this measure, out of 39 lakhs of Central Government employees nearly 37 lakhs of the employees are getting benefited. I am also one of the Members of this House and I also share his feeling.

PROF. P.J. KURIEN : Sir, I know that the hon. Minister also would personally agree with what I said.

SHRI KADAMBUR M.R. JANARTHANAN : Sir, personally I may agree with the hon. Members, but as a Minister, I cannot give a commitment to the House and I am sorry for that.

SHRI V.V. RAGHAVAN : Mr. Speaker, Sir, sometime ago, there was a declaration by the Union Government that those veteran freedom fighters who get Central Government pension may also get the benefit of Dearness Allowance. So, I would like to know from the hon. Minister what steps are being taken to fulfill this promise that was given to our veteran freedom fighters.

SHRI KADAMBUR M.R. JANARTHANAN : Sir, I want to appeal to the hon. Member not to compare the *fyagis* who have shed blood for this country with the salaried people. However, I do share the concern of the hon. Member. But this question does not arise out of the main question.

SHRI LALU PRASAD : Mr. Speaker, Sir, as per the decision of the Supreme Court, even the Members of Parliament and the MLAs are public servants. The pension that the Ex-MPs get is a very meagre amount. But the officers and the employees of the Government are getting a handsome amount after retirement. We are always agitating in their favour. The politicians are getting nothing. Suppose I am not a Member of Parliament and I come to Delhi, nobody will offer even a cup of tea to me. I would like to know from the hon. Minister as to what the Government is going to do in this regard.

SHRI KADAMBUR M.R. JANARTHANAN : Sir, we come and go. We get defeated also in the elections. Therefore, we do not have any allowance.

[Translation]

SHRI CHETAN CHAUHAN : Mr. Speaker, Sir, the retirement benefits and terminal benefits given to government officers and employees at the time of

retirement are calculated on the basis of basic salary and D.A. I mean to say that in calculation of terminal benefits and retirement benefits only basic salary and DA is considered while at the time of calculating income tax we are saying that-

[English]

Since D.A., C.C.A. and HRA are given as part of the salary, same are taxable in the hands of the employees.

[Translation]

Therefore, through you I would like to tell the hon. Minister that gratuity is calculated on basic salary and DA only in the same way tax should not be calculated on CCA and HRA. Will the Government propose to do so? Sir, It is an important question.

[English]

SHRI KADAMBUR M.R. JANARTHANAN : Sir, he is asking about the retired officers' pension. But this question is not connected with this.

SHRI CHETAN CHAUHAN : Sir, I am talking about the tax. The benefits are given only on the basic salary. That is the definition of salary.

✓ MR. SPEAKER : He is giving the reply.

[Translation]

SHRI YASHWANT SINHA : Mr. Speaker, Sir, in the context of the question raised by the hon. Member I would like to say something. The Minister of State has given information in this House that allowances are considered in the category of personal expenses and thus considered as part of the salary for the purpose of income tax. The question raised by the hon. Members is that only DA is added in basic salary for calculation of gratuity and not other allowances. The reason is that these allowances are given as personal expenses. After retirement the person is ceased to be a government officer and thus city compensatory-Allowance is not added. Income tax laws and other laws have different viewpoint and objectives which are taken into account. This is the position with regard to income tax.

SHRI RAJO SINGH : Mr. Speaker, Sir, there are two categories of government employees in our country - the state government employees and Central government employees. Till date, the recovery of income tax is being done at both the sources. I would like to know from the hon. Minister how much amount has been given to state governments as their income out of the total tax collected by the government?

SHRI YASHWANT SINHA : Mr. Speaker, Sir, though this question is not directly connected to the original

question but I would like to reply to it. Perhaps you may be aware that the money collected under Income Tax Divisible Pool is divided between the centre and the state governments. 77.5 percent of the total funds is given to the state governments. Therefore, the funds collected from income tax does not remain with the central government only but its major share, about 2/3rd part is given to states.

[English]

#### Patent of Flora and Fauna

\*244. SHRI K. YERRANNAIDU : Will the Minister of INDUSTRY be pleased to state the steps proposed to codify and patent the flora and fauna of the country and all traditional forms of knowledge as embodied in Ayurveda and Unani to avoid Basmati type controversies?

THE MINISTER OF INDUSTRY (SHRI SIKANDER BAKHT) : A Statement is laid on the Table of the House.

#### Statement

The Botanical Survey of India and Geological Survey of India are responsible for survey and inventorisation of the plants and animal species of the country. According to the information available, approximately 70% of the geographical area of the country has been surveyed so far by these organizations. Based on these surveys over 46,000 species of plants and 81,000 species of animals have been recorded.

The work of compilation of literary information in respect of flora and fauna pertaining to Indian System of Medicines has been assigned to Central Council for Research in Ayurveda and Siddha and the Central Council for Research in Unani Medicines. As most of this information exists in the public domain, including the classical texts, nowhere in the world can patents be granted for such products. In order to be patentable, the subject of invention has to satisfy the conditions of patentability, namely, novelty, non-obviousness and industrial applicability.

Patents are granted by respective governments under their patent laws. Whenever information is received about patents being taken on certain products which are not considered patentable, steps are taken to assess whether grant of patent can be challenged. When sufficient material is gathered, steps are taken for filing a petition for re-examination and ultimate revocation of the patent in that country.

SHRI K. YERRANNAIDU : Sir, this is the most important question regarding patent laws. We have faced problems in the past when U.S.A. patented our *neem* and turmeric. The CSIR had to fight it out in the Court and