

[Translation]

PROF. RASA SINGH RAWAT (Ajmer): It is not possible for me to speak after six O' clock. I will speak now.

SHRI GHULAM NABI AZAD: Are all of your Members prepared for this?

[English]

Before we start the Private members' Business we have another ten minutes. I submit that the Finance Minister would like to go ahead with his Finance Bill for ten minutes.

It may take only five or six minutes. Yesterday we said that the Home Minister would make a statement on the bomb blasts. That statement may be made and then we can go ahead with the Private Members' Business.

MR. DEPUTY-SPEAKER: All right. Now, Shri Manmohan Singh.

15.21 hrs

FINANCE BILL, 1992*

[English]

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): I beg to move:

"That the Bill to give effect to the financial proposals of the central Government for the financial year 1992-93, be taken into consideration".

While presenting the Budget in this august House on 29th February, 1992, I had explained the salient features of the proposals contained in the Bill.

I feel gratified by the amount of interest, discussion and debate that the Budget has generated. During the general discussions on the Budget, Hon. Members from both

Houses made many useful suggestions with regard to some provisions contained in the Finance Bill. Many hon. members of Parliament have also written to me about their suggestions. A large number of suggestions have also been received from members of the public, trade unions, chambers of commerce, professional bodies and voluntary organisations. I am indeed grateful to all of them for their valuable suggestions. I would like to assure hon. Members that we have very carefully considered all the points which have been made with reference to the Finance Bill. In response to the various suggestions made, I now propose to move certain amendments to the Bill. I seek the indulgence of the hon. Members to explain some of these amendments. I had occasion to announce some changes at the time of replying to the general discussions on the Budget.

In my Budget speech, I had mentioned that, with the increase in the exemption limit and the reduction in income tax rates, many of the income tax concessions were no longer justified. I had, therefore, announced the withdrawal of deductions under Section 80 L, 80 CCA and 80 CCB of the Income-tax Act. A large number of representations have been received indicating that the withdrawal of Section 80 L will cause hardship, especially to pensioners and taxpayers in the lower income group who have invested their savings in specified financial assets. Several members of this august House both from the Treasury Benches and from the Opposition have urged reconsideration of the decision to withdraw concessions under Section 80 L. In deference to their sentiments and in recognition of the need to protect to the maximum extent possible the interest of taxpayers in lower income groups, I now propose, as an interim measure, to restore the deduction under Section 80 L with a monetary ceiling of Rs. 7,000. Taking into account the increase of Rs. 6000 in the exemption limit as originally proposed in the Finance Bill, the amendment I now propose with regard to Section 8 should take care of most of the complaints I have received from tax payers in the lower income groups.

*Moved with recommendation of the President.

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With the withdrawal of deductions under Section 80 CCA in respect of the National Savings Scheme and under Section 80 CCB in respect of Equity Linked Savings Schemes, etc, I had proposed to enlarge the scope of the tax rebate under Section 88 so as to include within its ambit, schemes which are, at present, included under section 80 CCA and 80 CCB. The rebate under Section 88 is allowed, at present, upto an investment level of Rs 50,000. In view of the enlargement of scope of the tax rebate I now propose to raise the ceiling on investment level to Rs 60,000. The implication is that the ceiling of the tax rebate will increase from Rs 10,000 to Rs 12,000. Within the overall ceiling of Rs 60,000 a sub ceiling of Rs 10,000 is also proposed in respect of investments in Equity Linked Savings Scheme so as to ensure the continued viability of other savings instruments contained in Section 88.

Hon Members would recall that in my Budget Speech I had proposed to introduce a new simplified procedure for taxation of small retail traders. This proposal was made with a view to building an atmosphere of trust and confidence among small taxpayers and encouraging them to get over their psychological hesitation in having to deal with income tax authorities. Emboldened by the enthusiasm with which this scheme has been received throughout the country I now propose to enlarge its scope to include other small shop keepers who are engaged in vocations like tailoring, typewriting, photocopying, repair work, laundry service or are running eating places etc. The requirement that persons opting for the simplified procedure should not have any income chargeable to tax from any other source is proposed to be given up. Persons having taxable income from other sources, not exceeding Rs 5,000 in a year in the aggregate, will now be eligible to opt for the new scheme on payment of additional tax for this amount.

In this year's Budget, I have undertaken a major restructuring of the taxation of capital

gains. I had proposed inflation indexation of the cost of acquisition of assets. I had, further, proposed tax on long-term capital gains at a flat rate of 20 per cent in the cases of individuals and Hindi undivided families, 40 per cent, in the case of companies, firms, associations of persons and bodies of individuals and 30 per cent, in all other cases. I have received representations that the tax rate of 40 per cent applicable to certain categories of taxpayers is too high. I see merit in this representation. I, therefore, propose to reduce the tax rate in the case of firms, association of persons and bodies of individuals from 40 per cent to 30 per cent. I also propose a concessional rate of 20 per cent in the case of venture capital companies.

Hon Members will recall that I had proposed important changes in the taxation of partnership firms with a view to avoiding double taxation of the same income in the hands of both the firm and the partners. I had proposed to exempt partners from the taxation of their share income from the firm. I had also proposed to allow deduction towards interest and salary payment made to partners from the income of the firm. The deduction in respect of salary was proposed at the rate of 90 per cent on the first Rs 1 lakh in the case of professional firms and on the first Rs 75,000 in the case of business firms. In order to help the smaller firms, I now propose to allow 100 per cent deduction of partner's salary upto Rs 50,000 from the firm's income.

There seems to be some apprehension that the provisions of Section 40 A (2) of the Income tax Act may be indiscriminately resorted to by the Assessing Officer to make disallowance out of salary paid to the partners as being excessive. The Central Board of Direct Taxes will be asked to issue instructions to the Assessing Officers so as to ensure that this power is not used in the case of small firms and even otherwise, it should be used sparingly. The Finance Bill also provides for deduction of tax at source on the salary or interest paid to partners. Realising that this may cause problems of implementation and avoidable paper work for the firm, I now propose to withdraw this provision.

The Bill contains a provision aimed at ensuring the presence of the persons whose premises are searched, for as long as the search operation continues. I have requested the Tax Reforms Committee to examine the entire gamut of the procedural provisions relating to direct tax laws, including the provisions concerning search and seizure. It would be desirable to await the Final Report of the Committee in this regard. I, therefore, propose to withdraw this provision in the Bill accordingly.

In my Budget Speech, I had announced a significant departure from the existing regime of taxation of wealth with a view to encouraging investments in productive assets. I have, since, examined some more aspects of the wealth-tax structure which need immediate attention. There is need to provide that motor cars which form part of stock-in-trade will not be liable for wealth-tax. There is also need to ensure that urban land on which construction is not permissible under any law will not attract wealth-tax. Similar exemption should apply, for a period upto two years, in respect of land held for industrial purposes. I propose to amend suitably the Wealth-tax Act to provide for these exemptions and all restore some of the exemptions allowed earlier.

I would now like to refer to the proposed modifications relative to indirect taxes.

One area of concern in the representations and suggestions I have received is with regard to the possible adverse effects of the reduction of the overall import tariff on the domestic industry. I have given the utmost consideration and thought to these representations. Earlier on 26th March, 1992, I had announced major reliefs on import duty totalling about Rs. 245 crores. I am now proposing further appropriate remedial measures including reliefs in import duty to important sectors.

As part of the overall rationalisation of tariff, the concessional import duty of 95 per cent available to certain specific drug intermediates used in the manufacture of bulk drugs had been removed in the Budget.

As a result, inputs such as bulk drug intermediates as well as the finished products such as bulk drugs attract the same rate of duty of 110 per cent. It has been represented that this had led to inadequate incentive for the production of bulk drugs. I, therefore, propose to restore the concessional import duty of 95 per cent in respect of most of the specified drug intermediates. I also propose to completely exempt specified formulations of certain life saving drugs and medicines from import duty. In the interest of better eye-care I propose to reduce the excise duty on sterile solutions used for the care of contact lenses from 105% to 15%.

I propose to reduce the import duty on aseptic form-fill-seal machines for the pharmaceutical industry from 50% to 40%.

Prior to the Budget, specified raw materials and piece parts required for the manufacture of certain components for the electronic industry were attracting basic plus auxiliary rates of import duty at 50% and 70% respectively. As part of the overall rationalisation to remove multiplicity of duty rates, the rates on some of the raw materials and piece parts were reduced to a uniform rate of 40%. The duty concession available in respect of other raw materials and piece parts was withdrawn. It has been represented that the new duty structure has led to certain distortions. To rectify the distortions, I propose to restore the duty differential that existed earlier between the raw materials and piece parts in most of the cases. I now propose that most of the raw materials which were attracting import duty at the rate of 50% prior to the Budget will attract 40% and most of the piece parts which were earlier attracting duty at the rate of 70% will now attract 60%.

I had proposed to reduce the import duty on specified items of machinery used for the manufacture of flyash and phosphogypsum bricks and building components to 40%. It has been represented that the concession is inadequate as the initial cost of investment for such projects is too high even at the reduced rate of duty. In view of the environmental importance of this activity, I propose to fully exempt the specified

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machinery used in the manufacture of flyash and phosphogypsum based building materials from the whole of the import duty.

I had proposed in the Budget to impose an export duty of 10% on certain types of finished leather and on unpolished granite in order to encourage exporters to shift to higher value added leather products and polished granite. It has been represented that this is too heavy a burden and the duty on such finished leather from 10% to 5% and on unpolished granite from 10% to 7%.

In the Budget, I had proposed to allow import of gold by Indians including persons of Indian origin as part of their baggage on payment of import duty at the rate of Rs. 450 per 10 gms which worked out to be about 15% in ad valorem terms. I understand that this has hurt the smugglers. In order to make smuggling even more unremunerative, I propose to reduce the import duty on such gold to Rs. 220 per 10 gms.

I propose to reduce the import duty on ethyl benzene which is a raw material used in the manufacture of polystyrene from 40 per cent to 25 per cent.

There have been reports of large scale under-invoicing of imports of ball and roller bearings. Many Members of Parliament have represented that this persistent under-invoicing is adversely affecting the domestic manufacturers of ball and roller bearings, especially those in the small scale sector. In order to remedy the situation, I propose to exempt this category of imports from the ceiling of 110 per cent import duty so as to allow the specific rates of duty to become operational. However, the ad valorem duty rates are being reduced in many cases so that the total duty incidence on these items will be lowered in line with the general thrust of the Budget proposal.

At present computers and computer peripherals with the exception of six specified computer peripherals attract basic plus auxiliary rate of import duty at 75 per cent. In

the new Export-Import policy, imports of computer and computer peripherals have been liberalised. It has been represented that in the changed circumstances the duty of 75 per cent is not sufficient to protect the domestic industry. Accordingly, I propose to raise the import duty on these computers and computer peripherals to the tariff peak of 110 per cent. I hope the domestic industry will take note that this is a transitional measure. Domestic industry must gear itself to live with lower levels of production in future.

In the Budget, I had proposed to levy a duty of 30 per cent on insulated thermoware and vacuum flask. It has been represented to me that this industry is still young and has great potential for exports but needs fiscal incentives for some more time. Accordingly, I propose to restore the full exemption from excise duty that was available prior to the Budget.

As an incentive for the readymade garment and hosiery industry which contributes significantly to our exports, I propose to reduce the import duty on certain specified trimmings and embellishments used by the industry from over 100 per cent to 45 per cent.

I am also proposing certain amendments to the Finance Bill seeking to make some changes in the excise and customs tariff. These amendments are generally enabling provisions and have no revenue significance.

The exemption notifications relating to the above changes in the indirect taxes will be laid on the Table of the House in due course.

Taking direct and indirect taxes together, the changes I have proposed are expected to result in a net revenue loss of Rs. 331 crores to the Centre and Rs. 271 crores to the States.

I request the hon. Members to lend their support to the Finance Bill with the modifications I have proposed.

Incident of fire In Naya Bazar, Delhi

MR. DEPUTY SPEAKER: Motion moved:

SHRI NIRMAL KANTI CHATTERJEE: Amendments must be circulated by tomorrow.

"That the Bill to give effect to the financial proposals of the Central Governemnt for the financial year 1992-93, be taken into consideration."

(5)

STATEMENT BY MINISTER

Incident of Fire in Naibasti, Naya Bazar, Delhi on 29th April 1992

(with minutes)

SHRI SOMANATH CHATTERJEE (Bolpur): Sir, today they deserve a good conduct certificate.

MR. DEPUTY SPEAKER: So, Mr. Somanath Chatterjee heartily congratulates the Finance Minister. The whole House also congratulates him

SHRI SOMANATH CHATTERJEE: Not for everything, Sir, but for today.

MR. DEPUTY SPEAKER: Actually, the Private Members' Business ought to have been started at 3.30. Sorry, we are late by five minutes. The hon. Minister Mr. Jacob wants to make a statement. If the House agrees, may I request the hon. Minister to make to the statement?

SOME HON. MEMBERS: Yes.

SHRI NIRMAL KANTI CHATTERJEE (Dum Dum): Sir, when should the amendments be moved? (Interruptions). Only after we get the copies of the amendments which the Government intend to move, we can do that, Can you indicate when do we move our amendments?

MR. DEPUTY SPEAKER: I shall let you know after five minutes.

SHRI NIRMAL KANTI CHATTERJEE: It should be on Monday or Tuesday. The time should also be given.

MR. DEPUTY SPEAKER: Okay, you can submit your amendments on Monday at 3 o'clock.

Now the hon. Minister may make the statement.

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS (SHRI M.M. JACOB): I wish to apprise the Hon'ble Members of this august House about the unfortunate of fire in Nai Basti, Naya Bazar on 29.4.1992.

2. At about 10.12 A.M. on 29.4.1992, information was received at P.S. Lahori Gate that smoke was coming out near Sushil Mohan School and that there was some fire. At about 10.14 A.M. another information was received in Police Station Lahori Gate on wireless from PCR. that unknown caller had informed that a bomb had exploded in Naya Bazaar near Pilli Koho behind Novelty Cinema.

3. The police rushed to the spot and found that three buildings bearing number 1725, 1726 and 1727 which were two/three storeyed, has collapsed.

4. The Control Room of Delhi Fire Service had received information at about 10.10 A.M. about the fire. Three water tenders and one ambulance were rushed to the spot. At 10.30 A.M. fire was declared medium and at 10.45 A.M. serious. The fire was brought under control at 1.15 P.M. In all 43 fire-units were deployed in fire-fighting and rescue operations.

5. The ground floor of these three buildings are occupied by transport companies. The Municipal Corporation of Delhi and the Delhi Fire Service, with the assistance of the Delhi Police launched a joint rescue operation. About 400 persons of the Corporation and 250 personnel of the Delhi Fire Service were deployed for the work.