15.38 hrs.

FINANCE BILL, 1992

[*English*]

MR. CHAIRMAN: Hon, Members, the House will now take up discussion on the Finance Bill, 1992. Ten hours have been allotted for all the three Stages of the Finance Bill, 1992 which had been taken up for consideration on Thursday, the 30th April, 1992.

If the House agrees, we may have seven hours for general discussion and one hour for the Third Reading.

Can I take it that we have the consent of the House for his sub-division of the time?

SOME HON. MEMBERS: Yes.

[*Translation*]

DR. LAXMINARAYAN PANDEYA (Mandsaur): The voting on this Finance Bill will be held on 6 of this month. Therefore, it will be better if diffusion continues for the whole day, Let it be decided, if it is to be done on 6th, it will be better.

MR. CHAIRMAN: If it is to be done on 6th, it will exceed 10 hours. It means, time should be extended right now.

[*English*]

But as a general basis to start the discussion, does the House agree on 10 hours and the sub-division of 7 hours, two hours and one hour or is there any other proposal on this? Would Dr. Pandey, like to get the time extended at this stage?

SHRI RAM KAPSE (Thane): We want the voting to be on the 6th it has been decided in the Business Advisory Committee like that. On the 5th, many Members will be absent. Because they do not know about this decision.

MR. CHAIRAMAN: If it has been decided in the Business Advisory Committee that voting will take place on the 6th and then voting will take place on the 6th. Unless in the opinion of the House, on that day, if the House agrees to extend the time, then I cannot say. If the Leaders of the various political parties agreed in the Business Advisory Committee and they convinced the Members.

[*Translation*]

That voting should be done on 6.

[*English*]

Well and good; but, otherwise, the opinion of the House is supreme in this matter. If they say that many other hon. Members have to speak, then the time can be very well extended. (*Interruptions*)

[*Translation*]

DR. LAXMI NARAYAN PANDEYA: Voting slould not take place before 6th. (*Interruptions*) My submission is that voting should be done on 6th only.

MR. CHAIRMAN: All right.

Shri Jaswant Singh.

SHRI JASWANT SINGH (Chittorgarh): Mr. Chairman, I have a temporary difficulty. Now, they will be permitted to move their amendments till tomorrow; and in this case, because it is clause-by-clause consideration of the Bill, the hon. Members wish to know about the procedure to be followed in respect of moving the amendments.

MR. CHAIRMAN: I am sorry, I did not following you.

SHRI JASWANT SINGH: The difficulty and mistake is mine. I have got temporarily a very bad throat; and I am unable to articulate clearly. The hon. Members wish to know the procedure for moving amendments to the Finance Bill.

SHRI E. AHAMED (Manjeri): We have given notice of the amendments; we have to be called for moving amendments.

MR. CHAIRMAN: I am informed that, according to rules, now it is a stage of the general discussion. When clause-by-clause consideration of the Bill comes up, then it will be the time to move amendments.

(*Interruptions*)

(*Translation*)

PROF. RASA SINGH RAWAT(Ajmer): Mr. Speaker, Sir, ruling was given on Friday that we can move amendment upto 2 p.m. on Monday. (*Interruptions*)

MR. CHAIRMAN: If you want to give notice of any amendment , you can give it at 2 p.m. but you can submit actual amendment at the time of clause by clause consideration. If you want to submit it earlier you can do it with pleasure but if amendment are not ready, you can give notice upto 2 p.m. and it is quarter to four already.

[*English*]

O.K. I would say that, with the consent of the House, till 5 O' clock today you can give notices of the amendments; and after that you will have to submit your amendments when the clause-by-clause consideration of the Bill is taken up.

SHRI JASWANT SINGH: Since I am temporarily inconvenienced, I shall not be able to articulate what I have to say. I had suggested to my party colleagues that somebody else should initiate the discussion in by stead, I am touched by their insistence that despite the difficulty that I have, I must, on behalf of the BJP, perform this task.

THE MINISTER OF STATE OF THE MINISTRY OF STEEL (SHRI SONTOSH MOHAN DEV): we are gald to hear your views on the economic policy.

SHRI JASWANT SINGH: The kind of expression of confidence and faith from both sides of the House is doubly heart warming. I am flattered by my good friend the hon. Minister of Steel showing some expression of interest in what I have to say on the economic policy. Here I have at the last and final stage the consideration of the Budget for 1992-93. And this stage, as always is a stage when you, after considering the overall the yardstick, the framework within which the Government intends to carry out its fiscal reforms, which is the Budget proper, the instrumentality of that reform, which is the Finance Bill gets taken up by Parliament.

I would like to place on record, before I go to the specifics, my personal appreciation and regard as also the appreciation of my colleagues senior to me, Shri Lalji Advani, Shri Atal Bihari Vajpayee, that the Government held an informal process of consultation in which they exchanged ideas with us about the intended reforms, after the Finance Bill has been presented about what we thought on the Bill proper. .

I believe that such processes of consultation are yet another expression of democratic functioning and further the collective interest of this House which is to legislate such measures as are for the benefit of the greater good of the greater numbers.

This Finance Bill, 1992-93 was faced with the being the instrumentality— the challenging task of being able to give expression to the new reforms and the new steps that the Government has taken. So far as the detailed aspects of what this Finance Bill should have, and should not have, by way of direct or indirect tax reforms, I would start by just one principal thought. This thought is motivated by a consideration that in the last 10 or 15 years we have had on a number of occasions various committees instituted to go into a reform of the entire taxation system.

I recollect very well, when my good friend Shri George Fernandes was a Minister in the Government of 1977-79, a Committee called the Choksee Committee was appointed. The Choksee Committee could not finish its task and then the late Shri Jha was entrusted on numerous ocasions to look into it. Then I think when the Choksee Committee became, if I am not mistaken, the late Shri . Jha, a distinguished civil servant took part of that responsibility and some others took on that responsibility.

Now, if you were to reflect that all along at least since 1977 that is for the last 15 years or so, a need has been felt that the total structure and system of both direct and indirect taxes has now become so complax and so voluminous that it is really not subserving the purpose for which it was originally intended.

This Cnormous mass of legislation connrctin with taxation, is really not serving the purpose of a more efficient, cost effective and greater revenue collection. What it has resulted in -- begging the pardon of the genial, amiable and efficient Minister of State of Finance- is that the vocation to which the hon. the Finance Minister belongs, that vocation of taxation advisors, tax consultants, tax lawyers has made enormous sums of money. Every additional legislation that you bring about, every additional amendment that you bring about in direct or indirect taxes gives less yield to the revenue of the Union Government. It gives much more yield to the huge tribe of Chartered Accountants and tax lawyers. That is not the aim of any such legislation, I am sure. Reflect for example, on the Finance Bills of 1991-92 and 1992-93, by my somewhat rough and ready arithmetic, in 1991-92 We had 155 aamendments to Clauses of direct taxation and in 1992-93, we got something like 167 amendments. So just in two year, we had got almost 325 to 330 amendments. I do not know who can remember this. What is the point in that? You cannot just keep on perpetuating what taxation system ought to have. It must have stability. The tax regime must be stable. And people must know that in the next so many years, this is what is going to be taken by the Government from our pockets. That stability of regime is not there. I must be fair. It must be patently fair but it must not be expropriatory. The tax regime must not aim to take away from the earner more than he would voluntarily like to share with the State. I do not think that the present tax regime has yet attained that. It must be Ruamne . The starting point of a tax regime must not be that the citizen is ab initioal as of his nature going to cheat the State. This kind of approach of the State towards the citizen is an uncivilised approach. By approaching the citizen with the shadow of suspicion in your mind, you in fact create the climate in the country which is not beneficial for the moral upliftment of the nation. You cannot have that.

No civilised nation on earth can possibly have a regime, wherein you will enter peoples houses, break down perforce, whether they are old ladies, women, 80 year old people and behave inhumanely. You cannot. That is why, I say that the system must be humane. Otherwise it will not function, no better how.

We have gone through experiments, wherein total taxation between direct and indirect taxes, between income tax and wealth-tax, in periods of late Mrs. Gandhi's regime, it had gone up to as much as 110 per cent, 115 per cent.

Mr. Chairman, Sir, I say that it is a correct step. You did well to appoint Raja Chellaiah Committee to make recommendations about the total taxation system. You have done well to partly adopt the interim report that Cheallaiah Committee had submitted. I put it as a recommendation to the Government that they ought to consider seriously the total Chellaiah Committee Report. The hon. Minister would clarity me on the situation. The Chellaiah Committee Report is perhaps expected by around the end of the monsoon or so. If that is, when it is expected, I submit to the Government, through you, Sir, that they ought to immediately entrust the entire report to a Joint Select Committee of Parliament. And that Joint Select Committee must be given a very fixed time within which to verylicit a large public opinion so that by about autumn of this year Parliament can by given a comprehen-

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sive, final document as tax reform document. And that tax reform document must then remain as the principle instrument for the administration of tax laws on our statute books and that must be accompanied by some kind of a categorical declaration that for the next three or four years barring minor changes, adjustments, rectifications or miskes etc, this is what the citizen will have to do by way of direct and indirect taxes. So much have been said about direct tax in the larger picture and in the context of Chellaiah Committee Report.

I have a thought to share on the reform of indirect taxation. We have reflected on this a great deal. Every party today-in one fashion or another-is both an Opposition Party as also the Ruling Party in some States of the Union or the other. We are here in in this Assembly Opposition to the Congress Party. At least in four States of the Union, the Congress Party is in Opposition to us. My good friend, Shri George Fernandes' Party is in power in certain States of the Union where the Congress is in Opposition to them and they are in Opposition here. In one fashion or another, most of us are now either Opposition or Ruling Party. We had to , therefore, apply our mind on this question of indirect taxes and its reform not in a combative, isolated aspect of what the Union Government should do or should not do or can do because unless the effort of tax retarm does not go down to the level of the Union and the States of the Union, it would not work. A *certain percentage of the income tax is now the share of the States not the sur-charge.*

Whenever the Union Government faces *some difficulties, it increases income*-tax by enhancing sur-charge Even in the present Budget, for example, 12 per cent sur-charge is retained by the Union Government, even though taxation rates have been raised, taxation levels have been raised and rates lowered. So, the consequence of it is that whereas the Union Government has protected itsown plank of revenue, it had its consequences on the States of the Union. I am not saying that the Union Government is not mindful of it. For example, let me take you back to your Army days and you and I, for example, happened to be in the mess of the army on some evening then it would not we unnatural for you when it came to my spending from my pocket and you were having to spend from your pocket. You would be inclined to letting me spend money from my pocket. When I say that the Union Government retains the sur-charge on the income-tax, I am not saying that they are behaving evilly. They are doing what is understandable. They are Trying to protect their planks, but in the process the States of the Union are getting defective. But, this is one aspect of the refarm of indirect taxes. I have reflected on this. There is some reference in the Union Finance Minister's Budget Speech also. This plethora of indirect taxes starting from MODVAT to lxise, to customs, to sales-tax, to actroi is mind boggling. I had an occasion to mention this earlier. We told of treing trade between nations; we talk of freeingtrade between SAARC countries. Trade is not free between Madhya Pradesh and Rajasthan. Both the States are under the BJP rule.

My good friend, Shri Laxminarayan Pandeya's Constituency is adfacent to mine.

16.00 hrs.

For example, the farmers from my constituency like to send their *jeera* for sale to Madhya Pradesh. Parts of Kota produce *jeera* but they try and send it to Madhya Pradesh because the sales-tax incidence in Madhya Pradesh is less than in Rajasthan. It is understandable. but this kind of conflict of tax rate warfare between the Union and the States of the Union is not understandable. Same is the case with octroi. Trucks having to move from Delhi to Jaipur must be having to stop at least at fifty different places. What kind of free movement are we talking of? Therefore, some very serious thinking has to be done about the reform of this kind of indirect taxes. Whatever the reform has to be, it has to be a reform which leaves out inequality, which eliminates, to the extent that it is possible to do, so corruption in the collection of indirect taxes. Corruption is rife, whether it is customs or excise or sales-tax or State sales-tax orctroi actor. Therefore, I welcome what the Union Finance Minister has proposed in his budget Speech, that is, National value Added Tax. But, for this National Value Added Tax which integrates various kinds of indirect taxes and then comes forward with a scheme for better redistribution of the revenues of the country, some very necessary preliminary steps have to be taken.

Firstly, I think the powers of the Central Board of Direct Taxes and the Central Board of Excise and Customs must be redefined. They must be made statutory. They must be freed from day-to-day bureaucratic control. Similar is the case with institutions like the Department of Revenue Intelligence, of the Narcotics Control Bureav, etc. I will not go into the total spects of what needs to be done . In a different capacity I had examined all these. I am informed that that committee has now submitted what we had earlier done but I will not go into the details.

In addition to the reform of the instrumentalities of revenue collection, what you have to do is to apply your mind on economic decentralisation. If you talk of political decentralisation and if that political decentralisation is not accompanied simultaneously by real economic decentralisation, one or the other will fail. Therefore, you must have proper consultation. You ought to have had its beginning yesterday. But even if you do not have it and you say that the National Development Council and the Planning Commission etc. are the Forums where we normally have these , they are too large a body, too diffused, too diverse, not having enough time. So, you ought to initiate a process of serious consultation on economic decentralisation. What do we do with the Industrial policy Resolution Act of 1951, etc? Have a proper consultation. Have a proper dialogue with the States of the Union. That is number one.

The second point on that agenda with States ought to be taxes and States. I am going beyond what the Finance Commission has already done because what the Finance Commission did was in a certain context of political and economic policy. That context has now altered. Therefore, the recommendations of the Finance Commission need to be modified to meet the requirements of today. That is why I say that the second point in the agenda for discussion is a very serious and urgent discussion with the States. First is the economic decentralisation and the second is taxation and the States of the Union. The States of the Union are dependent on the Union Government, Union Finance Ministry for routine things. They are unable to meet drought conditions; they are unable to meet the water requirements and are unable to meet developmental requirements. This will not; one or the other will give way. Please start this process.

The third-which is a separate one-is that I think you have to initiate-I do not know because you already have, for example, consultative committee of Parliament, but I wish you should expand that-and you should have a standing consultation procedure to do it. You have phased meethigs with representatives of trade and industry and consultative committee of Parliament. But these have become largely performer and you ought to have serious pin-pointed agenda for consultation. Here are two points-a nation-wide value-added tax and economic decentralisation and taxes and the States.

My next point is that I am not convinced in my mind with the process of either of the post-liberalisation economic opening and consultation or the process of the unshackling of the bureaucratic mind and decision making. At the Union level it is significaatly better but at the level of the States of the Union it is insignificant. Therefore, you must please initiate these two-a post-reform consultation procedure and what needs to be done to correct the bureaucratic difficulties that remain.

I thought that in the discussion that we have for the Finance Bill, rather than routinely talking what rate to rise and what rate

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to lower, I ought to share with the Government some of the more holistic concerns. Let me compliment the Government on the reduction of the duty on gold import. I believe that this is a step in the right direction and just as I had occasion to mention at the beginning of my intervention, I must, once again, pay a tribute to the hon. Finance Minister and his team for having held a process of consultation with us in this regard. Because, after all, in every real sense, the gold scheme that the Government have adopted was proposed in very substantial terms by my senior colleague Shri Atal Bihari Vajpayee. He proposed the gold scheme in the last Budget. The author of the gold scheme is really Atalje. Therefore, it is a measure proposed by us. In fact, it is a matter of some gratification to us that the Government, in its wisdom, saw fit to implement such a scheme and then saw further rationale in seeing that the 15 percent duty rate that they placed on it had, perhaps, served the initial purpose and the country could now afford or withstand a reduction of it. I pay my tributes. I pay my compliments to the Government for that.

I would like to speak on another subject very briefly though this is not entirely the field of the Finance Bill or the Ministry of Finance is concerned, you wish to have a more balanced outlook. Let me just leave it as a thought and I shall pass on the the detailed aspects. You will have to move fast much faster on the reform of the Foreign exchange Regulation Act.

I will just make one more point. I think the grant of statutory authority to SEBI, which we had said even then, is a correct step. I am sure my friend Shri George Fernandes will understand when I say that personally I am of the view that -I was not here when this intervention took place, I had to leave on that day, but I say-those who invest in stock exchanges and such other places must accept hot with the cold. You cannot have it both ways and so those who wish to invest in speculative aspects like the Stock Exchange will benefit when the Stock Exchange booms and will suffer when it does not boom, and in that sense I would leave a thought with the Government that when the Council had constituted a body like the SEBI, let the SEBI handle it, let them do the needful. I hope the honourable the Finance Minister will not misunderstand when I say that the Finance Ministry is so large at times, I think it is less a Ministry and more an ocean, I do not know how the hon. Finance Minister is able to look after all the various tentacles of it, there are so many tentacles, and , Sir, you are decentralising, starting a process of decentralising with the Ministry itself. Any way, Sir, I have taken a great deal time, my throat is also not cooperating with me. just one or two suggestions, Sir. One is that we are publicly committed— this is what amendments to the Finance Bill talk about, we are publicly committed as a Party to seeking the maximum or minimum limit—the exemption limit must go up and we had publicly omitted to the exemption limit being raised to Rs.48000, and I reiterate that.

Further, Sir, a number of measures have already been announced by the honourable the Finance Minister about clauses 42, 43 and 48 relating to Sections 80(CCA), 80 (CCB) and 8O L, also relating to amended Section 88, also perhaps relating to Section 64 which is about minors' income etc. etc. I am not going to labour on them now excepting re-asserting the BJP's demand for a minimum exemption limit of Rs. 48000 plus on the question of clauses 91 and 92 relating to wealth tax in which it is our submission that at least one house used for residential purposes and which is self - accepted must be exempt from the wealth tax. We have said that earlier and we would like to reiterate it.

I have two points to make about small-scale industries and tax reforms relating to small-scale industry. I have said this earlier that no industrialisation is possible unless the ancillary sector, the small-sale sector is vigorous and is contributing its part to the national endeavour. I am given to understand that the small-scale sector contributes something like almost a third of the industrial production of the country. Now if that is what the small-scale industry contributes, then two requests - one of direct taxes and the other of indirect taxes relating to small-scale industry-are there. Firstly, tax deducted at source about the small-scale sector. I am given to understand, Sir, that some representations have been made to the Finance Ministry in this regard that about tax deduction at source you have granted exemption, for instance, to tea brokers or travel agents or some foodgrains trader or merchants, but you have not granted similar exemption to small-scale sector where small-scale sector industries pay commission for the sale of their product through selling agents. Now, I accept, Sir, that an automatic and blank exemption from TDS must not be granted, but should such selling agents or commission agents or dealers or whatever, furnish their permanent Account No. and the small scale industry itself furnishes a list of their selling agents or dealers in whose case tax has not been deducted at source, then I think the Government are to consider this matter afresh. On the question of indirect taxes, there is a notification, which is No.15 of 1992. I think, you have introduced it on the 31st of March. I trelates to levying of excise duty on the small scale sector and this as caused a certain amount of difficulty and interruption in the production of the small scale sector itself. May I appeal to the Government to consides this particular notification? Please give them a Year's period for this sector of industry To adjust to the changes that you wish to bring about through this notification, give them a year's grace period for the restoration of *status quo*, until the industry proper is able to adjust to the changed tax regime.

Sir, I started by saying that what we need and look forward in the next Finance Bill is, a stable, a just and a humane tax regime. The Finance Bill is the instrument essentially of the tax regime. I feel that before the next Finance bill is presented if the steps that I have recommended or suggested are taken, then, we would have moved at least one or two steps closer to a stable, a just and a humane tax regime which should be the aim of any Finance Bill.

DR. DEBI PROSAD PAL (Calcutta North West): Mr. Chairman, Sir, I rise to support the Finance Bill which has been moved by the Finance Minister and I oppose the various cut motions which have been moved. I must congratulate the Finance Minister for introducing many of the important features in the Finance Bill, in response to the various representations and also the present requirement of our economy.

Sir, the fiscal measures are introduced not only to augment the resources of the public exchequer, but they are also introduced to implement certain economic and social objectives which can be effectuated throught the fiscal measures. Looked at from that angle, some of the measures which have been introduced are really restructuring of the taxation measures. For example, the clubbing of the income of the minor child with the income of the parent, the imposition of the income tax only on the partnership farms and abolition of the dual taxation both in the hands of the firms and also of its partners, the introduction of the long-term capital gain by linking it with the adjustments which are necessary on account of the inflation in the economy from time to time and also the restructuring of the system of imposition of wealth tax. The other measures which have been introduced by the Finance Minister are also intended to give relief to the middle class people and also to the income earners who are suffering from the spiral of inflation. It is an accepted principle which has also been recommended by the Raja Chelliah Committee, that if you want to have a better tax compliance, you must reduce the rate of taxation. That has been the objective even in the United States, one of the industrially advanced country where Prof. Lindsony has taken and that has been accepted how all over the would. It is also approved by the Raja Chelliah Committee, that if you reduce the rate of tax within 40 per cent, then you get a better tax response from the citizens. Now the Finance Minister has accepted these recommendations of the Raja Chelliah Committee and has reduced the rate of taxation. Upto Rs. 50,000, it is 20 percent; Rs.50,000 to Rs. one lakh, it is now

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30 percent; and Rs. one lakh and above, it is 40 per cent. Only for this year, he has retained a sure-charge of 12 per cent . Now this shows, the bold step the Finance Minister has taken to reduce the rate of taxation. It will be now for the citizens to respond to a better tax compliance.

The exemption limit of income-tax has also been raised from Rs. 22,000 to Rs. 28,000. Initially, when the Finance Bill was introduced, the deductions under section 8o-L, section 80-CCA and also section 80-CCB were withdrawn. Now this has created country-wide representations both from the economists and also from the various organisations that the relief which is allowed under section 80-L is mostly availed of by the middle class people and if that relief is taken away, then whatever tax exemption limit has been raised becomes illusory I congratulate the Finance Minister for responding to the representation made from different quarters and he has now re-introduced or retained the deductions under section 80-L.

SHRI RAMESH CHENNITHALA (Kottayam): Dr. Debi Prosed Pal's name has been written in the CCTV monitor as belonging to CI(M);

SHRI NIRMAL KANTI CHATTERJEE: (Dumdum): This is derogatory to CPI(M);

MR. CHAIRMAN: It will be corrected.

DR. DEBI PROSAD PAL: By whatever name I have been described, I owe my myalleginance to me own political party.

Now deduction under section 80-L has been retained partially. Under the old section 80-L, the total benefit of deduction was Rs. 13,000(Rs.7,000 plus Rs. 3,000 plus another Rs. 3,000). The Finance Minister has retained the deduction under section 80-L for up to Rs.7,000. I would still appeal to the Finance Minister, if it is possible, to retain the full deductions which were available under section 80-L because these investments are normally availed of by the lower income earners and middle group income earners. They not only get the tax benefit but by doing so, it generates better savings. In the present economy also, we are trying to develop self-reliance and we are reducing the Budget deficit, by improving our exports and putting reliance upon the earnings of the exports to be utilised for imports. Internal generation of savings is the most important step which the Government should keep in mind. This deduction under section 80-L not only affords relief to the middle class group of people but it also mops up and generates savings from the large sector of the population. Therefore, I would still appeal to the Finance Minister, if it is possible for him, to retain the deductions under section 80-L up to the full amount which was there earlier. He has announced in his Budget speech that these measures are intended to have substantial relief for the middle class people. If you analyse the situation, earlier the tax exemption limit was Rs. 22,000. But the tax payers were getting deductions up to Rs.13,000. Now, the exemption limit has been raised up to Rs.28,000; it is an increase by Rs. 6,000. But the deduction is available up to Rs. 7,000, instead of Rs. 13,000. So, whatever was available under the earlier enactment, practically the same thing continues. If his anxiety is to give substantial relief to the taxpayer, particularly the middle-class people, I see no reason why the tax deduction under Section 80 L should not be restored in full. The deduction under Section 80 CCA and 80 CCB undoubtedly mops up savings from the individual tax-payers. 80 CCA and 80 CCB are clubbed by the Finance Minister under Section 88, and whatever deductions will be available under Section88, a citizen can also avail them by making contribution under Sections 80 CCA and 80 CCB. I want to remind the Finance Minister only of one situation. Under Section 88 if an assessee makes contribution to public Provident Fund or to the National savings Certificate, he can withdraw the amount and that will not be taxable in his hands. But when you make contribution under Section 80 CCA, the year in which you withdraw or the year in which you withdraw the interest on that amount, that will be taxable. Now who will make contribution under Section 80 CCA or 80 CCB instead of depositing this amount with the public Provident Fund or National Savings Certificate? No useful purpose would be served by bringing 80 CCA and 80 CCB under Section 88 even though the tax deduction has been increased from Rs. 10,000/- to Rs. 12,000/-. I would invite the attention of the Finance Minister to the practical possibility of utilising 80 CCA or 80 CCB when it is brought under Section 88. We must not forget that these two deductions are allowed. If assessee contributes under Section 80 CCA, he cannot take the benefit practically during his life time because when he withdraws, it will be taxable. Whenever he withdraws the principle amount or interest, it will be taxable. it only mops up long-term savings because he has to deposit the amount with certain public institutions. This was one of the important sources of generating savings from internal sources.

I must congratulate the Finance Minister for introducing certain remedial measures. For example, medical expenses. If an assessee is to incur medical expenses in a hospital, if it is not the Government hospital, the deduction allowable was negligible. He has taken a practical view in allowing all medical expenses which are to be incurred in an approved hospital, hospital approved by the Chief Commissioner of Income-tax and also for specified diseases. This is only a benefit which goes to the salaried persons. Those who are self-employed, like the professional people, they can only get medical insurance which has been increased from Rs. 3,000/- to Rs. 6,000/-. It has been also a very progressive and remedial measure.

But I would like to ask the Finance Minister to consider whether the same benefit which is allowed to a salaried employee in respect of all expenditure incurred in approved hospital and for specified diseases, should not be extended also to the self-employed people because the whole idea is that medical expenses genuinely incurred should not be disallowed in the hands of the tax-payer.

I would also congratulate the Finance Minister for giving certain marginal relief to the working women increasing their tax deduction from Rs. 12,000/- to Rs.15,000/- for income up to Rs. 75,000/-. In its practical application, that may become illusive because if the working woman earns a salary of Rs. 36,000/-, then she may not get the benefit fo this higher deduction. It is only when her income is between Rs. 30,000/- to Rs. 75,000/- that she can get certain amount of benefit. Why is it that when her income is Rs. 76,000/-, she gets a reduction of Rs. 12,000/-? If they were to give the benefit and the benefit is of a small Rs. 3,000/- increase, why cannot it be given to all the working women irrespective of their income whether it is above Rs. 75,000/- or it is below Rs. 75,000/-?

I would request the Finance Minister to consider the practical application of this benefit which is allowed to the working women. Sir, the Finance Minister should also be congratulated for taking a humane approach by allowing expenditure on account of disabled persons in a family increasing it from Rs. 6000/- to Rs. 12,000/- irrespective of the level of income. This is certainly a humane approach for shich I would congratulate the Finance Minister

Now, there are various other measuaes which have been introduced. For example, the compensation which will be payable to the victims of Bhopal Gas Disaster that will be completely exempted from tax. I should congratulate the Finance Minister for taking this humane approach particularly to alleviate the distress of those victims of the Bhopal Gas Disaster. He has also taken a very practical and humane approach regarding the compensation which is to be payable under Voluntary Retirement Scheme. It has been almost a feature in industry that the workers or the employees, for the purpose of bringing economic viability, are to be allowed to retire premature and they are given compensation for rvoluntary Retirement. The

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amount to be payable to hem will be exempted from tax. Of course it will be done if the payment is made under the scheme prepared and it is according to the guidelines which have to be issued by the Central Government. Now, these are certain remedial measures for which the Finance Minister has taken not only a pragmatic view but also he has taken a liberal and humane view.

But another important measure which he has introduced is that of clubbing of the minors income with that of the parent. This provision is already there under the Income-tax Act. If a parent transfer his assets to his minor children, all income arising therefrom is taken in the income of the parent. The object for which this Clause was introduced in Section 64, according to the very statement of the Finance Minister is that there may be cros gibts. For example 'A' gives a gift to the son of 'B' and 'B' gives a gift to the some of 'A' and thereby the tax avoidance is made. In order to deal with that, it is not necessary to club the entire income of the minor children into the income of the parent There are judicial decisions and a simple explanation could be added to the Section that cross-gifts shall be deemed to be a transfer by the parent to the minor children and the income therefrom would bee liable to tax in the hands of the parent. But there may be genuine cases, for example, an uncle gives a gift to his nephew; a grandfather gives a gift to his grandchild but he does not want to benefit the parent and the parent does not use the findfor his own. That is why the gift is given.An uncle gives a gift of Rs. 36,000/- and the parent's income is Rs. 36,000/- the entire tax is to be borne by the parent even though the parent does not get any benefit of the gift under the deed of gift or under any dispensation. I do not think that this sort of a generalisation and clubbing the entire income of the minor with that of the parent under all circumstances, be it a genuine one or not isproper and just. This may creaste injustice. But certainly the law will take note of this . Where there are cross-gifts to avoid the incidence of tax, that can be dealt with by introducing a particular explanatory clause in the original Section itself.

There is also the introduction of imposition of the tax on the partnership firm. It is a very important step because earlier, the income of the partnership firm was also assessed and so also the income of the partner. This creates a dual imposition of tax both upon the partner and a also upon the partnership firm. The Finance Minister has to be congratulated for introducing this bold step. The salaries and interest paid by the firm to the partners will be assessed in the hands of the partners and the firm is to be assessed after allowing the deduction of the salaries and interest which is payable to the partners. This is a very healthy measure and thereby the partners are assessed in respect of their own salary income in their own hauds, interest received by them in their own hands and the firm is assessed in respect of income after allowing the deduction. But I should remind the Finance Minister to take note of two things and if it is possible, to introduce some change.Partnership firm is to be assessed at the flat rate of 40 percent which is the highest rate. But there are small partnership firms and business is carried on all over the country by small partnership firms and whose income may be Rs.20,000, Rs.50,000 or Rs. 60,000. The imposition of a general rate of 40 percent tax on the income of the partnership firms will affect preojudicially the small partnership firms whose income may be much lower. There is no reason why the graded rate of taxation, as the Finance Minister has introduced at 20 per cent, 30 per cent or 40 per cent depending upon the level of income, should not be introduced. Moreover, there is double taxation in cases where certain salaries which are disallowed in the hands of the firms. For example, 90 per cent in the case of professional firms is to be allowed and not ten per cent and 75 per cent in other cases. Then the disallowed portion is assessed both in the hands of partnership firm and also in the hands of the partner. So, there will be double taxation in respect of the disallowed amount. This can be remedied because it is the intention of the Finance Minister not to tax the firm but to tax the individual partners in respect of their salaries and interest..The law can be amended only by introducing a provision that to the extent the salary income has been assessed, in the hands of the partners and that will not be taken into account in the hands of the partnership firms. And the partners also will be assessed to the extent of the salary which has been allowed as deduction in the hands of the partnership firms: I think, it will be done.

The introduction of a long-term capital gains is another important field where the Finance Minister has made certain structural changes. Properties have been acquired in 1974. Properties have been accrued in 1964. There has been appreciation in the value of these properties due to inflation. And if the long-term capital gain is introduced by taking the cost of acquisition in the year 1964 and imposing the capital goins in 1992 that will mean doing injustice to the hdders of these properties. So the Finance Minister has now taken the cut off line of 1st April, 1981 instead of 1st of April, 1974. This is a measure for which I must congratulate the Finance Minister.

The other thing which he has done is also right and a proper step. He has taken the cost of the acquisition by increasing it on the rate of inflate, the inflationary index from year to year, is to be announced by the Central Government from time to time. Thereby the inflationary increase in the prices will not be taken note of in computing the capital gains. Because of this introduction, the Finance Minister has now withdrawn the marginal relief. He has withdrawn the relief allowed if the sale prouds are Invested in specified securities or investments for which capital gain should not be imposed. Al these deduction have been withdrawn. I would appeal to the Finance Minister to consider this aspect from the pragmatic and practical point of view. When the capital gains is imposed and if an assessee earns capital gains and invests his sale price in specified investments like the Unit Trust of India, IDBI, then who gets who gets the money? The Government and the public institutions get the money and they invest it to meet the economic needs and the assessee also gets cerelief if he invests this sale proceeds of the capital assets for a certain number of years in retain specified investments. That generateds savings and at the same time, it edcourages honest transacteris ifau assessees know that whatever money he gets , if he invests it in certain specified securities, he will not have to pay capital gains. And the Government also is thereby benefited because the entire sale proceeds are locked up in investments in public financial institutions which can invest such funds in industry and in places where the economy requires. To complete withdraw this deduction might affect in two ways. It will encourage now transactions of sale of capital assets in black money because he knows that he will not get any deduction and therefore he will try to enter into these transactions in a underhand means. And secondly, the public authority, public institutions, the Government will be deprived of the large amount of investments which may come by the investments and the sale proceeds of the capital gains. This is a matter which I will request the Finance Minister to look into.

The introduction of the wealth-scheme by excluding the shares and also by imposing the wealth-tax only on the non productive assets, is an important feature for which the Finance Minister should be congratulated. The wealth-tax scheme has now been rationalised. And those non-productive assets only will bear wealth-tax. But a question does arise on the imposition of tax on public limited companies. That has been introduced now, for the first time, after a lapse of several decades. Originally, when the wealth-tax was levied in 1957, the companies in which the public are substantially - interested, they were also brought within the purview. From 1957 to 1959, this continued. And from 1960 onwards, wealth-tax on companies in which the public are substantially interested was abolished. In fact, wealth-tax on all companies was abolished in 1960. In 1983, wealth-tax on companies in which the companies are closely held -private companies-, this was introduced. But the companies in which

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the public are substantially interested, they were excluded from the purview of the wealth-tax. This is, for the first time after 1960, levied on companies in which the public are substantially interested. The only redeeming feature in this: that wealth-tax is not to be levied upon the productive assets but on the non-productive assets like residential houses, motor cars and other non-productive assets. It is time to consider whether it is desirable to impose any wealth-tax on the companies in which the public ar esubstantially interested.

The Finance Bill, as I submitted, has made a significant departure in the way that in all earlier taxation measures, we have seen that he indirect taxes, they are to share a larger amount for meeting the Government expenditure. TheFinance Minister has laid more emphasis on the direct taxes. And on the direct taxes, the of revenue will be increasing more. He had also retained the benefit which is to be shared by the States from the tax collection. This is an important feature. We have seen during the Government of Shri V.P. Singh, who was shedding his tears for the States, that the quantum of revenue which is to be shared by the States fell to only Rs. 3 crores. This time, from Rs.14,000 crores it has been increased to Rs 16,000 crores, for the States share. Although, the Central Government had introduced economy measures in its own administration , the States have not been allowed to suffer from the shortage of funds which the Government is to give to the States out of the tax realisation. The Central Government had also not reduced the plan outlay which will give subsidies and grants to the States. This also has been increased by Rs. 2,000 crores. This is a significant feature for which the Finance Minister should be congratulated.

The Finance Bill in short, in the direct taxation, has introduced many important features which are remedial, which have taken practical note of the exigencies of the time and these are in pursuance of the twin objectives, that is, to reduce the budget deficit, and at the same time, to improve and boost up our economy by giving encouragement for the industries to grow and also to encourage exports, so that our foreign exchange earnings may be increased.

The reduction, in various spheres, of the indirect taxes on commodities which are essential is also an important feature. The Finance Minister has taken an overall view of the entire economic situation in the country; and the measures introduced by him only show, how sensitive he is to the requirements and to the representations made from different quarters.

I therefore, support the Finance Bill and oppose all the cut motions that have been moved.

PROF. SUSANTA CHAKRABORTY (Howrah): Sir, the Finance Bill, supposed to give effect to the financial proposals of the Government for the year 1992-93, is - as claimed by the Finance Minister is neither a piece of good economics nor of good politics. It is rather a product of mis-directed and mis-guided economics; and I may say, of motivated politics gunned against the common people of our country.

The Finance Minister, through phrases and rhetorics has tried to cancel his designs. But yet, the intentions are clear. So, the Finance Bill along with the Budget may be termed as one which at its best is a ritualistic statement of certain pious intentions and at its worst, is an exercise in deception.

Before I go into the provisions of the Finance Bill in detail, I would like to draw the attention of the hon. Members to certain developments that have taken place in the economy since the Budget was presented. The ripples and splashes of the Budget are all too clear. The prices are up. The wholesale price index is above 13 per cent, in spite of the declaration in the Congress (I) manifesto, that the prices will come down to the 1989 level. Unemployment is on the increase, again in spite of the election promises that every year some ten millions of employment will be created in our country. Rupee is slipping in value in the free market. The Hawala rate of the rupee is also surfacing. Gold prices have already risen and refusing to come down. The distribution of income is seriously skewed.The foreign debt service burden is gradually increasing. The economic legacy of dependence on foreign loans let loose by our late Prime Minister Shri Rajiv Gandhi is being continued with renewed vigour.

The only animal spirit that was unleashed is the stock exchange market. SEBI is even afraid of the shadow of this menacing tiger. After initial buoyancy, the sensitive index dropped very rapidly following bull inquidation and bear hammering. The animals, of course, did justice to their names by behaving in an erratic manner. We found a Government stadiing haplessly before them. The Government could not prevent it; the Government could not protect the interests of the small investors; the Government could not prevent the State Bank of India from diverting its money for investment in the share market. An indisciplined economy is the price that the country is to pay in order to fulfil Dr. Manmohan Singh's dream of developing an equity culture in our country, his dream of building up a speculator's paradise in India.

It is the market-friendly feature of the Finance Bill that is mostly responsible for this sort of affair: the tax relief for long-term capital gains; the introduction of inflation indexing for such gains; exemption of the private sector mutual funds from Income-Tax; the move to permit selected Indian companies to issue convertible bonds and equity to investors abroad; to tax the income and capital gains from these issues at a concessional rate.

The proposal to permit such foreign intitutions as mutual funds to event in the Indian market and the reduction in import duties at the behest of the World Bank have together provoked a quantum jump in the level of expectations.

A feeling is generated that it is now free for all and it is just the time to make money as far as one can make.

It is our experience that a large informal economy has made the fine-tuning of the national economy as impassibility. It is also you experience that the outside creditors are making their voices felt in the conduct of our economy. The question haunts our mind: Does the national economy in the truest sense of the term exist at all? Whom shall the Finance Minister control through the Finance Bill? If things go on in this way for another three or four years, there shall be no need for any Finance Bill nor shall there be any need for Finance Minister. The captains of the industry wiil do the job for him . The Finance Bill, 1992-93 will, therefore, be recalled by the posterity as the precursor Funeral Bill of the national economy - the last hurrah of a misbegotten policy.

Rupees forty to sixty thousand crores of black-money are being generated annually. Annually Rs. 12,000 to 20,000 are being evaded. What are the ways to stop generation of black-money? What are the ways that the Finance Minister would like to adopt? After all the who-hum, how much have you been able to garner through the amnesty scheme? What is being done to stop capital flight? What we see is that the tax proposals are interested in whitewashing the black-money. What do you hint at through the Gold Bond Scheme and relaxation in import duty on gold? The Finance Minister has just tried to legalist smuggling. What message do we like to sent to the Wourld outside? Is this the menage: Fair is being made foul and foul is fair? Therefore, there is no cause to fear. Go on. Is this the message? If that is the moral tone of the Finance Bill, I am opposed to this.

The macro-economic context in which the Finance Bill has been placed, is onr characterised by stagflation.

Strong safety nets and productive public investment and expenditure are the need of the hour. Also necessary is to dampen inflationary expectation and weaken speculative forces.

[Prof. Susanta Chakraborty]

The one single instrument that could be efficiently wielded to attain all these objectives is the direct mopping up of surplus disposable income through direct tax measures. May I most politely remain our economist Finance Minister what Keynes argues in his Treatise on Money in such a situation?

Keynes wrote:

> " Having adopted for quite good reasons, a policy which pours the booty into the entrepreneur's lap, let us be sure that they hand it over in the form of taxes and that they are not enabled to obtain a claim over the future income if the community by being allowed to lend to the State what has thus accrued to them...High taxaion of profits and of incomes above the exemption limit is not a dubstitute for profit inflation but an abjunct of it."

What the Finance Bill suggests is just the opposite of what Lord Keynes has advised.

Even a cursory glance at the tax structure will reveal that there has been a steady decline in the share of direct taxes in revenue collections. At the central level, the ratio between direct taxes and income tax stood at 43:57 in 1950-51. But it worsened with every passing decade and in the revised estimates for 1991-92, the ration was 76:24, that is, direct taxes provided less than one-fourth of the total tax revenue. The decline in direct taxes is mainly on account of the dwindling share of personal income tax was 32.7 per cent of the central tax collection, that is, one-third of the central tax collection. The relative contribution is estimated to be approximately ten per cent in the revised estimates for 1991-92 and even less then that in the Budget estimate for 1992-93.

While the Finance Minister has raised the minimum personal income tax exemption limit to Rs.28,000, he has scrapped many benefits that the tax-payers could enjoy by Section 80L, 80 CCA and 80 CCB of the Income Tax Act. Even after the amendment that had been announced by the finance Minister two days ago, this will discourage the savings of the middle income group and hinder the interests of the States too. Further, there has been a definite attempt at introducing a regressive element in so far as income-tax rates are concerned. The new rates will benefit the tax-payers whose income is at the level of above Rs. 1.50 lakhs. According to the C&AG report, out of 68,51,168 assessees as on March, 1990, those below the taxable limit were 9,52,823. The number of tax-payers above the taxable limit upto Rs. 1 lakh was 55,17,453 who will now pay income tax at the rate of 20 or 30 per cent. The number of assessees in the income range of Rs. 1 lakh to Rs. 5 lakhs comes to 3,56,878 and just about 24,000 assessees above Rs. 5 lakhs will now pay 40 per cent of the income-tax. This system is surely not progressive. The Finance Minister has given certain concessions to the old by granting 10 per cent rebate on the net tax payable by the old people. Thereby has added insult to the injury. The Finance Minister should know that most of these people depend upon income from small savings, the income that at present enjoys exemption to the extent of Rs. 13,000.

An increase in the standard deduction from Rs. 12,000 to Rs. 15,000 has been given to women. Again it is politics. Sir, that has inspired the Finance Minister to take this step.

17.00 hrs.

According to the census conducted by the CSIR, out of the total working women, 99 per cent has a monthly income of below Rs. 2500. Women earning more than Rs. 5000 account for 0.25 per cent. Even a quick survey of women will tell us that women earners in the tax paying category largely belong to families with two incomes. The combined earnings often place them in the upper middle class. The intention is very clear. The proposed rebate is a part of an overall appeasement policy aimed at potentially viable group.

Sir, the Finance Bill refrains from imposing inheritance taxation which even capitalist countries like Japan and Britain use effectively.

Donei-based Gift Tax introduced by the National Front Government has been abandoned.

Agricultural income lobby continues to be the most powerful anti-taxation lobby in the country.

Of course, in his attempt to widen the tax base the Finance Bill proposes a voluntary presumptive tax of Rs. 1400 a year on traders and shop-keepers. These people will of course have the option to show by accounting evidence that they are not liabley to any tax.

While this is about Direct Tax there is a growing reliance on Indirect Tax knowing fully well that a substantial amount of indirect taxes will be paid by the Government. If we look at the Finance Bill we see that more and more money will be collected from excise duty but how onerous duties are is been from certain facts. I will not go in detail but please look at it the levy that has been imposed on tea, sugar, kerosene, matches, cotton, cotten yarns. Besides being inflationary this will shift the burden to poor people. Resources will be shifterd in favour of big operators. One estimate puts it that the overall impact of the excise duty on polyester filament yarn will put Rs. 35 crores more in the hands of the Reliance Industry only.

Customs duty has been educed, as asked by the World Bank.

India has 85 per cent self reliance in capital good. By adhering to World Bank demand the Finance bill allows uncontrolled entry of foreign capital. We are against this.

17.03 hrs.

[SHRI P.M. SAYEED *in the Chair*]

Increase in all these indirect taxes will mean that those people who have their back to the wall will be squashed on the wall like moths.

The expenditure side of the Budget reveals that the strategy is to cut down support to plan outlay in order to redoce the fiscal deficit. This amounts to disengagement of the state from investment activity. The vacuum is being expected to be filled up by the private sector investment. But India's experience is and also the outside wourld's experience is that the public sector crowds in the private sector, it does not crowd out.

Side by side revenue deficit has been increased. So, the fiscal policy again is for raising revenues. Because they fail to garner enough revenue through taxation measnures they prefer dis-investment of public sector units; they have allowed foreign equity participation of 49 per cent in the public sector units. In this way the Government in the name of liberalry is action is trying to open up everything.

Now, Sir, when we support the public sector, we have no illusion that this will remove miser or this will lead to socialism. But the fact is that, the public sector has prepared the basis for the development of the private sector and it has given us the basic infrastructure.

Now, Sir, we should try and make an alternative policy. The Government should try to expand the market by enhancing the purchasing power of the people. An expanded market would attract a large number of investors in consumption goods industries and in the ancillaries and would send the correct signals to the international world. Instead of doing that, the Government is relying more and more on external loans.

Some refer to China and argue that China is also taking international loans. But, Sir, China has built up its infrastructure by means of their indigenous technology. China has developed its railways, coal and steel. It

[Sh. Susanta Chakraborty]

has cost-efficient, competitive and efficient economy.

Int the second stage of industrial revolution, China is taking loans from outside and that is also in their terms and not in the terms as dictated by the IMF and the World Bank.

Sir, I have no objection in taking all external loans, if this could improve the lot of our country. But we should learn from the experience of the Latin American countries, from the experience of our neighbours, Bangladesh and Pakistan. As to direct foreign investment and improvement of export with the developed countries, my personal view will be different from many of those present here. A degenerating capitalism which is wrapped up with its own problems, going through the throes of shocks-economic, monetary and financial-can hardly extend a helping hand to the poor countries.

No doubt, socialist wourld is in ruins but the cpitalist wourld is also being shaken to its roots by recession and unemployment. Under such a condition what sort of help do you expect from them Mr. Finance Minister?

Sir, it is an urgent need of the hour to cut conspicuous consumption, to reduce imports and to enhance collection from the taxes. The Finance Minister takes a different path. It is better that we do not compare ourselves with China. I will urge upon the Finance Minister to see that while encouraging market forces, they are not allowed to be man-eaters. While encouraging foreign industries, they are allowed to supplant our industries, both large and small. If India manages to produce 100 million tonnes of foodgrains, it would solve the problems of poverty and hunger. If India utilitres the coal reserves, through the available coal technology and cuts dependence on imported oil which will cut down heavily on oil imports to the tune of Rs. 10,000 crore, it would be better. If India relies on rail transport ad improves the turn arounds of wagons, it could cut down on the use of diesels used by rail transport. If India stimulates its basic industries whose resource endowment is large, like cement, steel, caustic soda, soda ash, textiles and jute, it would build up right, competitive infrastructure.

To create a congenial atmosphere for much development, the Government should bring an end to recession by cration of primary purchasing power through land-reorms and to combat inflation and hoarding through revamped Public Distribution System. But in order to do that, the Finance Minister should be a bit hard. All these needs conviction, courage, hard decisions and strong political will. Is the Finance Minister ready to take hard measures against the wealthy class and arouse anger of his class-allies? Probably, he will not. For him, I shall quote from Mr. Edmond Burde to find comfort.

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

While in the name of liberalisation, you are opening up the economy, the entire economy, opening even the womb of the economy, may I remind you, the hon. Finance Minister, of the Sherperdess of the old poem who said as follows:

> "No one can rape me because I am ever so willing."

It is the people of India who fight and fight valianly against such more.

With these words, I oppose the Finance Bill.

[*Translation*]

SHRI GIRDHARI LAL BHARGAVA (Jaipur): Mr. Chairman, sir, I would like to give some suggestions to the hon. Finance Minister and request him to accept my constructive suggestions. Hon. inance Minister tried to get a round of applause from the people of the country by increasing the limit of the taxable income from Rs. 22 thousand to Rs. 28 thousand in his budget speech but it was not enough. Congressmen may praise this budget as much as they can but the employees, workers the common man have not got any relief. So I request you to increase this limit upto Rs 48 thousand. It is very essential and I hope you will accept my suggestion.

If the Hon. Finance Minister does not increase this limit, the hollow promises of the Government will come to light. You have withdrawn exemption of Rs.13 thousand under 80 L, 80 C.C. and 80 C.C.B. which was given earlier. Now two days ago, you announced that you are going to allow exemption of Rs. 7 thousand instead of Rs. 13 thousand. So kind of you! Had you continued that exemption of Rs. 13 thousand and announced more exemption, the people would have got some relief. First you withdrew exemption of Rs.13 thousand and then you allowed exemption of Rs. 7 thousand once again. You think about it ,youself whether it is a relief. It seems you got distinction in arithmeatics. As far as I am concerned I got through in supplementary examination. So can work out yourself and then think over it. You took 13 thousand and gave 7 thousand, it means you withdrew a relief of Rs. 6 thousand. You have utilised these 6 thousand rupees in raising the limit of taxable income from 18 thousand to 24 thousand. It shows clearly that you gave no exemption at all to the employees and other people. It is only a statistical jugglery.

You restored exemption of Rs. 7 thousand under 80L but you disallowed exemption under 80 C.C.A. or 80 C.C.B. on the ground that you have increased the exemption limit from Rs. 10 thousand to Rs.12 thousand under section 88. Keeping in view the rise in prices during the last one year as reflected in the price index, this exemption limit was supposed to be raised to Rs.12,000. Mr. chairman, sir, the Congress party had promised in its manifesto that the prices would be rolled back in 100 days. Now it has come to power. The Finance Minister's pen wields. power . So keeping in view the price rise you have done right thing by raising the limit to 12 thousand. But you have not increased the limit of the taxable income to Rs.48 thousand. Therefore, I again demand that this exemption limit be raised to Rs.48 thousand.

Secondly, you have included children's income in the income of parents. It has hurt the feelings of children We celebrate 14th November as Children's Day. You have mentioned Pandit Jawaharlal Nehru and Rajiv Gandhi's name several times in the Budget. I think Pt. Nehru had been the well wisher of children. You have hurt their feeling. I saw Nehruji in dream yesterday. He told me that since I was to speak on the budget, I must ask the Finance Minister as to why the congressmen were torturing his soul. I am just stating what I saw yesterday in dream. You should not hurt his soul and at the sametime boast about following his ideals. It has harmed the interests of middle class families and it has darkened the future of the children.

Proviously, a middle class family with two children and one earning member could get exemption upto Rs.88 thousand on income tax. Now you have put so much burden on an individual that it has become difficult for him to make both ends meet. a rich man has not been hit as he has property. Money and only money is everything for him. But you have hurt the feelings of middle income people. So I request that the income transferred by the father to minor children to safeguard their future or to help them in their business after they complete their studies. If the child takes up a job, he she wold have his/her own house to live.

In view of all these things I once again request you to remove the new provision of clubbing child's income in the parent's income. You have linked it with the malpractice of cross gift. Why do you make such provision which gives Girth to such malpractice. When you talk of simplification of laws, why do not you separate childrens gift income from parent's income. It is a case of taxing somebody who is not earning. It means your provisions are not appropriate and you want to keep taxpayers on the mercy of bureaucrats. Why did not you accept Chellia. Committee report, which suggested, 27.5 percent as the rate of income tax for income

[Sh. Girdhar Lal Bhargava]

upto Rs.2 lakh. My submission is that the income of the children should not be clnbbed with the income of the parents and income from presents given by parents should also be considered the income of the children only. I would like to submit also that where either husband or wife is an earning member,the income should be equally divided for the purpose of taxation so the there is a reduction in the amount of tax. An earning hand can run his business or can do his job proper only when his wife provides him all the facilities. This is also to be taken note of the such a provision is meaningless to a millionaire because each member of his family is already paying a large amount of income tax. It is only the members of middle class families who suffer because they are paying tax at higher rate while they were earlier paying at the minimum rate. It will increase the tendency of concealing income and evading tax. In your speech you have stated that the child is the father of man. As such, you should allow the parents to save some taxes on the name of children. I hope the Government will accept my second constructive suggestion also.

My third constructive suggestion is that the Government has provided a commendable relief by linking capital gains with price rise index and by declaring 1.4.81 as the date of evaluation but his date could have been 1.4.91 as well and it would have been even better if the relief of Rs.15 thousand had continued. It should now be increased to Rs.30,000.

Withdrawal of exemption under section 54 (e) and 53 will effect the construction of new buildings. therefore, this xe emption should be restored. Presecunting amendment on the Finance Bill in the case of firms you have reduced the rate of this tax from 40 to 30 per cent. The same facility should be provided to individuals and joint families also and taxation rate should be reduced from 20 to 10 per cent. It is desirable that the first taxation rate on normal income should be half of the tax rate of 20 per cent i.e. 10 per cent on capital gains because earlier taxable income was half of the remaining capital gains after reducing Rs. 15,000/-.

The Government has taken a commendable step by abolishing double taxation on partnership firms but a discrepancy has been created by limiting the salary of the partners upto Rs.50,000 and imposing the highest rate of tax of 40 per cent on firms. Irrespective of profit or loss of a firm, there should be a provision of drawing salary and having other facilities for partners as is the case in limited companies. Investment of Rs.4 lakh is a normal thing even in a small firm and an amount of Rs.50,000 will be covered only as interest. When highest rate of taxation has been imposed on partnership firms as on the limited companies, then the firms partners should also be given the same salaries and other facilities as are available to the directors of companies. In the Report of Challiah Committee too there has been no recommendation for fixing any limit of such salaries etc.

Mr. Chairman, Sir, I shall conclude after saying two things. There is a provision of standard deduction on rent. Rent of a house is an important source of income of middle class families, specially for retired and old persons. Even otherwise, a large part of the rent from a house is spent inthe form of House Tax, Land Tax, property Tax etc. and all this goes to the Government. It is an inustice to the house owner that inspite of paying so many taxes, the standard deduction for them is less than the salaries people. Salaried class gets exemptionable allowances whereas the house owners have nothing but expendest. Though the hon. Minister has now fixed the standard exemption firm 1/6 to 1/5 but has included in it the exemption of the rent collection, being given separately, as a re cult of which this increase has become meaningless. My submission is that this exemption should be incresed to 1/3 of the rent as it is done in the case of salaried class and its limit should be incarased from Rs.5000/- to Rs. 2500/-.

Similarly, undivided Hindu family is a

symbol of our ages old culture. Present compulsions are already disintegrating such families and above it, to reduce the income tax limit and to fix the tax rate at 30 per cent from the very beginning become other reasons for their disintegration. We would not forget that accumulated property of undivided family is not only divided between father and son or between brothers but it is divided daughters among grandsons etc. i.e. among all living generation. The exemption limit for undivided family should be more than the limit fixed for an individual. If not more, at least it should be increased to the limit of an individual and the rate of income tax should also be fixed equal to that.

The Government talks of handing over the shares of public sector undertakings to private hands but will the bureaucrat allow this to be done? Will they like that the representative of the public be elected for the board of directors of these undertakings. There has been a provision from the beginning in section 4 (3) (d) of State Financial Corporation Act that 25 per cent shares of the Corporation may be given in private hands. Will the Government tell as to how many of the 26 State Financial Corporation have given their shares in private hands? You yourself have been Governor of the Reserve Bank or India and Financial Corporations function according to your directives then what are the reasons of these corporations remaining still in existence?

Similarly, the Hon. Finance Minister has given standard deduction of Rs.15000/- to those women, whose income is upto Rs. 75000/-.

MR. CHAIRMAN: Are you the Governor of the Reserve Band of India?

SHRI GIRDHARI LAL BHARGAVA: I am considering him the representative of Shri Manmohan Singh, who has been the Governor of RBI and submitting my points only in that context. Hon. Minister has given standard deduction of Rs. 15,000. In this connection, I would like to submit this man and woman should not be differentiated in this regard. Both should be given a standard deduction of Rs. 15,000 upto the income of Rs. 75000/-.

Sir, similarly, I welcome the provision for aged person but at the same time, I would like to say that this amount of Rs. 50,000/- is a very small amount. You have also grown old. It will be in your interest also. The limit may be increased to one lakh rupees. Then only these aged persons will get benefit of this deduction. Similarly, you want to impose tax on agricultural land in urban areas by changing definition of assessment about wealth tax. My submission is that if agricultural land falls in urban area that should also be exempted and should be considered in urban land. My other submission is that surcharge should be imposed on income excess than one lakh rupees and not on lower than that the Government has fixed a fee of Rs. 250 upto Rs. 1 lakh and Rs. 1500 for more than Rs. 1 lakh for going to tribunal. This is injustice. My submission is that if you have to increase the fee on more than Rs. 1 lakh, it should be Rs. 500/- only.

I have given my suggestion for checking tax evasion. This suggestion is based on your constructive suggestions. You will certainly pay attention to my suggestions regarding aged persons, agricultural land and children. So far as income tax limit is concern, the people of the country are looking towards you with hope. Nobody has accepted the suggestions given by Shri Manmohan Singh two days earlier. People are criticising Shri Manmohan Singh as well as the Congress Party but people are praising you. Whether Shri Manmohan Singh agrees or not. Thakur Sahib being a very kind hearted man, at least you should raise the income tax limit to Rs. 48 thousand. Today, you have a golden opportunity. Therefore you may stand up at once and say that Mr. Bhargava I happily accept your suggestion of raising income tax limit to Rs. 48 thousand. I think by such declaration not only treasury benches but opposition benches will also welcome it with cheers.

I hope that all my constructive sugges-

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tions will be accepted by you. Regarding the income tax exemption limit upto Rs. 48 thousand you may announce its acceptance hare now and remaining suggestions about children, agriculture land, minor, firms, partnership can be accepted later on at the time of reply. Mr. Chairman, Sir, I am thankful to you for giving me time. Hon. Thakur Sahib has heard all my suggestions attentively and I am sure he will certainly implement them. With these words, I conclude.

[*English*]

SHRI PETER G. MARBANIANG (Shillong): Thank you, Sir, for allowing me to take part in the Finance Bill. First of all, I would like to make it very clear that I support the Finance Bill and I oppose all the Cut Motions on the Finance Bill.

I must congratulate the Finance Minister for cutting the coat according to the cloth, and not only that , for giving a very good lining to make the coat more attractive. It is true that many minimum and maximum exemptions have been allowed in the Finance Bill which may not satisfy all the Members. Yet it is welcomed by all sections of the Members of this House.

It is true that the Finance Minister has been able in his very successful attempt to bring back the economy into the lie and I would appeal to all the sections of the House to give a helping hand to the Finance Minister in trying to push the economy forward. I am very sure that giving enough time for the Government to go into the different details of the Budget provisions, when we meet again next year, the Finance Minister will have a better budget and a better Finance Bill with many other exemptions which will be able to satisfy the Members from across this House.

Personally I only want to appeal to the Finance Minister to fight against one big menster which is known as the 'black economy'. This black economy in India is an economy which will try to negate all the benefits which will go to the people, which have been earmarked in this Budget. We should all join hands to fight this monster and I would suggest to the Finance Minister that a Parliamentary Committee should be constituted to ntity and to find out how to kill, how to do away with this great monster that is checking the growth of or economy.

Coming to the growth of our economy, I must make it very clear that an unbalanced economy will not bring the benefits to all sections of the people, to all the different States of this great country of ours. As we know, we have States which are yet to have the necessary infrastructure for their development. There are States which have reached the saturation point of more expansion, of more growth , which cannot grow any more. Therefore, in tackling the economy, the Finance Minister must turn his eyes to those backward areas in the country as a whole, to give the necessary infrastructure like roads, electrification, drinking water, medical services, general education, vocational education and development of the mineral resources available in those areas. In this way we can develop the economy in a balanced way. We will find that the shortfall from one region may be made up by the extra benefit from the other region. With this, India will grow. India will move forward. India will be a great economy in the world. We should not be under the fear of external debt. No country in the wourld can develop by itself. They have to depend on external help in certain sectors which are vital and important for the growth of the country. Therefore, the only need at present is a balanced growth. A study for the balanced growth should be made so that the States which are still backward can get extra infrastructure.

I now come to the North Eastern States. All the States in the North Eastern region of India are still to be developed. They lack all the infrastructure. They have nothing at all. They do not have either rail facility, airways or river transport or a good road transport. They have been developed in a very haphazard way. As such we find that most of the big industrialists are not tempted to come to the North Eastern region in spite of the fact that the North East has the most valuable mineral resources which need immediate working. But it could not be done. You take the case of Meghalya. It is a land-locked State. Similarly Mezoram, Nagaland, Arunachal Pradesh and Sikkim are all land-licked States. As such we find that there are very few schemes of extension of railway line in Meghalaya. There should be one railway line from Guwahati upto Dmra in Garo Hills andanother from Guwahati to Byrnihat in Khasi Hills. It appears that both these lines are only a dream for the people of Meghalaya. That dream may not come true unless the Government identifies the schemes and the work is started otherwise Maghalaya will be left without any railway line. I, therefore, urge upon the Government to take up these two railway lines at the earliest.

In the matter of river ways, there is nothing of the sort in that area. There is only road transport that is available. Even in road transport we find that many of the National Highways in Meghalayah are single roads and not even two-lane roads. They are single-lane roads only. The roads are very narrow hardly 10 feet wide and we often find obstructions on the road. There is still the gate system in that area. Can you imagine the gate system in the roadways in this century, when we are approaching the 21st century? But it is there in Meghalaya.

Many number of times I have asked questions about the Shillong airport. The hon. Minister has the audacity to say that it is not fit for landing of Boeing aircraft. This airport was completed 15 years ago. It was constructed for landing of Boeing aircrafts. Somehow the Minister had the audacity to say that it is not fit for Boeing landing. It is easy to say that it is not fit for Boing landing, but we know it is made to be fit for Boeing landing. The runway of the shillong Airport is longer than the runway of the Imphal Airport; the runway of Shillong Airport is longer than the runway of the Dimapur Airport, it is longer than the runway of the Ranchi Airport. The only thing is that the attitude of the Government is that 'being in the North-East, let them remain backward'- - I feel like that. So, I appeal to the Finance Minister that if the Airport is not fit for Boeing landing, if more is needed, it should be lengthened by another 40 metres of area and the work should be taken up immediately. Let Shillong also be on the map of the Indian Airlines.

Secondly, Sir, about tourism, we know that many parts of India the tourist are afraid to visit due to terrorism or in many parts of India foreign tourists do not go any more. Now, the North-East has the best of scenic beauties with beautiful flora and fauna, the best of waterfalls, the best of hills and plateaux where the Indian and foreign tourists can come and enjoy. Obstructing the foreign tourists is the Restricted Area Permit. Meghalaya is a very peaceful State for the last 21 years, but for coming to Meghalaya the foreign tourists have to take the Restricted Area Permit, and as a resolt, many of the foreign tourists who love to come and see the heaviest rainfall area in the wourld, i.e., Charrapunjee, cannot come there. At present a group of tourists are allowed, But there are some tourists who want to go alone. Why should a man or a woman as a tourist not be allotted to go there just because the Restricted Area Permit is needed? Intentionally it seems that the Department that deals with the subject will always see that they are not granted the Restricted Area Permit to visit Meghalaya or Assam or Nagaland or Mizoram or Arunachal Pradesh. It is very strange. After all, we are living in the age of modern technology, the age of modern science and technology and there is no need for any man to carry his camera to take photos for Defence purposes as a spy. There is no need for it. He can do that from remote control. Meghalaya is a very peaceful State and as such I find that this Restricted Area Permit should be done away with immediately, within this Session itself. I would appeal to the Minister of State who is here that he should appeal to the Home Deptt. to do away with the Restricted Area Permit. The Government of Meghalaya have encouraged the local people to build tourist cottages everywhere, be it in Garo hills or Khasi Hills or Jantia Hills. There are tourist houses, but

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they cannot do anyth because tourists cannot come there, be it from India or it from abroad. We do not want any restriction because if you make a restriction like this, the people of Meghalaya msy demand Inner Line permit where even Indias cannot enter Meghalaya without a permit as it is happening in Nagaland and Arunachal Pradesh. I do not think the Government wants to encourage such an attitude. Therefore, I would appeal that this should be done away with and the people who want to see the place must be allowed to come and see the place peacefully.

Sir, from the State Government, we have written to the Government of India for clearance of four medium irrigation projects, but for the last two years no action has been taken. If these four projects are cleared by the Government of India, they will add more foodgrtains for the Government to buy. These are the few things that we are ashammed of the attitude of the Government of India. We need development and therefore, they must help us to develop and to be like any other State in India.

Sir, before I conclude, I once again congratulate the Finance Minister heartily for bringing this Fiance Bill and I oppose all the cut motions. I only want the Finance Minister to give a commitment that the North East will be taken special care of to bring in infrastructure as the rest of India, so that they too can contribute to the growth of the balanced economy in India.

SHRIMATI GEETA MUKHERJEE (Panskura): Mr. Chairman, Sir, you will have to give me the opportunity to finish my speech. Last time, it was a bad experience for me. It should not happen this time also, because exactly the same situation has arisen today.

Sir, since the Finance Bill is the reflection of the Government's economic and industrial policy in the field of resource mobilisation, it is necessary to reiterate our evaluation of these policies in a nut-shell. These are heaping heavy burdens on the rural labour, poor and middle peasants. It is also imposing heavy burden on the urban unorganised workers and middle class. The urban organised workers who at least won some rights through a series of battles, are now in a precarious condition due to the notorious Exit Policy. In this background, this Finance Bill is coming. Therefore, while discussing this Finance Bill, I would not deal only with its provisions, but I will make a few observations.

Sir, I charge that through these policies as well through the Finance Bill, the same sections would benefit, that is, the richest, either in industry or inthe rural areas and the same sections whom I said will be hit, will be hit more. This is the reality. Now, how is this being done? This is being done through indirect taxes, a large network of indirect taxes. Then, this is being done through exemptions, through concessions, earlier said or now is being said and through the refusal to mobilise resources from the sectors from which it should have come. Which are those sectors? Naturally, firstly the multinationals and the monopolists; secondly the rural rich. Your provisions do not touch some of them and enrich some others.

Now, I am not going into detailed examination of all these things but I will go into some of them. Before that I must make an observation. I hope my BJP friends will not take it amiss. Their philosophy in these fields are more or less like that of the ruling party.

Whatever concessions have been given, I am sorry, I will not be able to appreciate those concessions because some of them would benefit only more affluent sections.

I have already said about indirect taxes. Eighty per cent of the Government total revenue still comes from the indirect tax sources. Who does not know that indirect taxes hit the poor more than they hit the affluents? The Finance Bill has seen to it that the direct taxes net remains quiet and narrow. There are many proposals in the field of direct taxes proposed in the Budget which also further enrich the rich. For example, it is allowing big monopoly houses to own their own mutual funds and exempting the profits of these mutual funds from the income-tax. This is one of the worst features of this Budget. Many monopoly houses have already opened their mutual funds. Shri Rameshwar Thakur will remember that when SEBI was discussed, I vehemently opposed the idea and pointed out that the money that would be going in their hands would be used for speculative purposes. Is it not happening? Sudden artificial big bullish atmosphere was made by these people in which some shares have Collapsed. I must say that this mutual fund is used more for speculative purposes than for productive use. You have not been able to control that despite your making so many statements. They will get a stranglehold on the major source of investible resources, that is, the household savings. You are not helping the exche of the poor. There are certain other aspects of mutual fund business. Those have also hit the small investors because they also do not get the savings and the competitiveness is less. Please remember apart from the Government, these small investors still remain the biggest employers and you are going to hit them by this provisions and many other provisions. This must be prevented.

Moreover, there are reductons or exemptions in the lot of custom duties in many fields. Many items have been exempted from the import duties which will benefit the big houses both in India and in foreign countries.

Out of the recent declarations of some exemptions, I welcome one about drugs raw matrrials. But all others are again an eye wash. In the sphere of excise duty, general increase is about ten per cent to fitteen per cent. The main burden will fall on the common man. But even in excise duty, some curious things are there. There are some increases or reductions which give advantage to the rich as compared to the poor. For example, there will be increase of duty on viscose staple fibre. Who uses viscose fibre more? Everybody knows it. It is the handloom and powerloom apart from cotton yarn. You are giving exemption to polyester fibre. Who uses that? Reliance and Modis. Do not they use? Therefore, they will have the money and those people who will try to buy that also will have to pay more money. What is going to come to you thereby? What is going to come to us thereby? I do not understand at all. Who will foot the bill? Naturally, the ordinary tax-payers. Surely not myself or Shri Rameshwar Thakurji or Shri Dalgir Singhji or Shri Manmohan Singhji. The poor people of our country will have to foot the bill.

I am telling you one thing. This morning rightfully there was a big raging about the impending drought. This is a very serious thing. As yet, nobody is saying that we shall not have drought. As it is, we are already getting news of lots of starvation deaths from among the handloom weavers. I am afraid that this is also going to add to it. But more than that, I will come to this question of rural rich where this drought is going to be a very serious business.

Before that, I will come to wealth tax. The wealth tax is really a characteristic of your policy. The exemption limit of wealth tax has been trebled from Rs. 5 lakhs to Rs. 15 lakhs. On top of it, it has been proposed to exempt altogether some assets, such as farm houses, motor cars, urban land, jewelleries, yachts and private aircraft. It is really interesting. Why should the poor man's money go for buying yachtsor give less tax for yachts? Is that a very productive way? How come the way of taxing like that? Why should they give these exemptions? There is no reason whatsoever. I believe if you talk of poor people in your manifesto, you kindly at least immediately do away with it. I am going to say something on this question of resource mobilisation in the rural field. Rural rich have been left totally untouched. What is the pattern of these rural rich? In this context of coming severe drought, how would they behave with regard to procuerment? I do not think your Government is very much interested in procurement. Even then, what was the behavior of these people? The rural rich of the green belt ad and green Apaches in

[Smt. Geeta Mukherjee]

other areas did not cooperate with the procurement. Procurement price of wheat was declared as Rs. 275/- per quintal. The market price at that time was Rs. 330/-per quintal. The rural rich went for selling in the market only.

THEMINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI RANGARAJAN KUMARAMANGALAM): It is 6 'O'Clock. I think the hon. Member can continue tomorrow.

SHRIMATI GEETA MUKHERJEE: I have made it clear in the very beginning.

SHRI RANGARAJAN KUMARAMANGALAM: Do you want to finish it?

SHRIMATI GEETA MUKHERJEE: Let me finish my speech.

MR. CHAIRMAN: Shrimati Geeta Mukherjee, how many more minutes you want?

18.00 hrs

SHRIMATI GEETA MUKHERJEE: All right, Sir, I will do the rest tomorrow.

MR. CHAIRMAN: The House stands adjourned to meet again tomorrow, Tuesday, 5th May, at 11 A.M.

The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, May 5, 1992/ Vaisakha 15, 1914(Saka)

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