

Exemption from Income-tax to ITI

*544. SHRI DINSHAW PATEL : Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government have received any proposal from any of the State Government for exemption from payment of Income-tax for investment towards setting up of infrastructural facilities for private ITIs;

(b) if so, the details thereof and the action taken thereon;

(c) whether there is any plan under consideration of the Government to revise the provision of section 80-IA of Income-tax Act, 1961; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE): (SHRI KADAMBUR M.R. JANARTHANAN): (a) Yes, Sir.

(b) Reference has been received from the Addl. Secretary, Govt. of Gujarat forwarded by Shri Y.K. Alagh, ex-Minister of State for granting income tax exemption to investment made for setting up infrastructure facilities like private ITIs under the provisions of section 80-IA of the Income-tax Act.

The Government have considered the suggestion.

The provisions under section 80-IA are meant to give incentives to the development of basic infrastructure like roads, highways, etc. power, telecommunication, mineral oil and not to the tertiary or secondary activities like the training or employment of personnel.

(c) The proposals for revising the provision of section 80-IA are contained in Finance Bill (No. 2) of 1988. However, there is no proposal with regard to the specific suggestion of the Gujarat Government referred to in (b) above.

(d) Does not arise.

[Translation]

SHRI DINSHAW PATEL: Mr. Speaker, Sir, the Hon'ble Minister is reading out the reply. My question is whether the Minister has received any proposal from any State Government for the exemption of income tax on investment made by the private ITIs, for setting up infrastructure facilities like school, library, sports-complex, industrial shed, computer centre etc. All the students do not get admissions in the ITIs run by the Government.

MR. SPEAKER: Are you also reading?

SHRI DINSHAW PATEL: Since the Minister is reading out the reply, I will also read out the question. Mr. Speaker, Sir, as all the candidates don't get admission in the Government ITIs, they seek admission and receive training in the Private ITIs. Today, our youth do not have any job opportunities. It

has become all the more difficult to get jobs with the raising of retirement age from 58 to 60 years by the Government. As such, what steps are proposed to be taken by the Government to extend assistance and give tax relief on the setting up of infrastructure facilities by the private ITIs?

[English]

SHRI KADAMBUR M.R. JANARTHANAN: Sir, the question relates mainly to Section 80 IA of the Income Tax Act which is giving exemption to infrastructure development.

In accordance with the recommendations contained in the Rakesh Mohan Committee on Infrastructure to inspire investor confidence in the infrastructure sector, this benefit under section 80 IA for infrastructure was created in the Ministry of Finance. The Rakesh Mohan Committee's recommendation is for power, telecommunication, area development, etc. But as far as ITI is concerned, social infrastructure, particularly human resource development, was not considered for fiscal benefit, as in urban and semi-urban areas such an activity is a commercially viable proposition.

Provisions under section 10 (22) [now proposed section 10 (23C)] exempt from tax any income from a university or such educational institutions existing solely for educational purposes and not for purposes of profit. Therefore, institutions registered under the Societies Registration Act prefer to avail this benefit where the object is solely for the advancement of education. Such being the case, this ITI, particularly in Gujarat where the former Minister has applied to the Minister of Finance, does not come under infrastructure development. It is a commercially viable unit. Therefore, it will not come under 80 IA of the Income Tax Act.

[Translation]

SHRI DINSHAW PATEL: Mr. Speaker, Sir, my question relates to the private sector. My point is that Government ITIs are getting all sorts of facilities but they can not accommodate all the students, hence, the students will have to receive training in the private ITIs. Unemployment has become a big problem. The Hon'ble Minister has stated that the Government of Gujarat has sent a letter to him. I want to know as to when this letter was received? He made a mention of Prof. Alagh also. There are number of private ITIs functioning in the country in addition to Gujarat. Today, unemployment poses a big problem in the country. About 7 lakh educated youth and over 13 lakh less educated people are without jobs in Gujarat at present. About 2 crore youth are jobless at present in the whole country. Unemployment is a major problem. My point is what assistance the Government propose to extend to these youth to enable them to start their own business by receiving training in welding, binding, computer, Litho-machine and other trades from private ITIs. My second point is what demand has been made in the letter sent by the Government of Gujarat; when this letter was written and whether the Government has given reply to the Gujarat Government's letter and if so, what are the details of the reply given?

[English]

SHRI KADAMBUR M.R. JANARTHANAN: Sir, the hon. Member has raised a matter relating to a letter written by ... (Interruptions).

[Translation]

SHRI DINSHAW PATEL : Mr. Speaker Sir, I had asked a question about giving assistance to private ITIs.

[English]

MR. SPEAKER: Mr. Minister, this is a specific question on giving exemption to the private ITIs.

SHRI KADAMBUR M.R. JANARTHANAN: Sir, whether it is private or Government, an ITI is an ITI. It is not concerned with infrastructure development. Any ITI is ITI whether it is Government or private. No exemption will be given under 80-IA. If you want to know the letter, date etc., I can read it out as to what the Gujarat Government had written and what the Central Government had replied.

SHRI A.C. JOS: The question is regarding infrastructure development. In the second part of the answer, the hon. Minister has stated that incentives will be given to infrastructure, like roads, bridges etc. My demand is that it should include airports also. In my constituency, Mukundapuram, at Nedumpassery, the construction activity of Cochin airport is nearing completion. We have to import aero bridges for the airport from China. Many things are to be imported. The airport is owned by a private company sponsored by the Government of Kerala. So, it cannot be said that it is purely a private company. My question is this: If the Airports Authority or that private company applies for import of aero-bridges, will the hon. Minister consider giving exemption for infrastructure facilities?.... (Interruptions)

SHRI KADAMBUR M.R. JANARTHANAN: Sir, the main question is concerned with the ITIs. Under 80-IA airports are included in the definition of infrastructure facility. According to the Financial Bill (No.2), the condition is that it must have started during 1994-95. For that, the exemptions will be given and the Government will consider it.

[Translation]

SHRI CHANDRASHEKHAR SAHU: Mr. Speaker, Sir, the Hon'ble Minister is talking of new perspective under the industrial policy and about exim policy on import-export. But while replying to the debate and the questions, he says that as regards making provisions for giving exemptions under income tax laws to promote private entrepreneurship, the issue of employment is of lesser importance. Through you, sir, I want to know from the Hon'ble Minister whether the Government propose to give income tax exemptions to the private entrepreneurs for setting up ITIs on the lines the NGOs are given such tax exemptions?

[English]

SHRI KADAMBUR M.R. JANARTHANAN: Sir, I have never said that the issue of employment is unimportant to this

Government (Interruptions) But this question pertains to ITIs. I have never said that. Rakesh Mohan Committee has given the following recommendations. According to that Committee's recommendation, infrastructure is covered under the 80-IA. But that does not mean that we are considering the employment issue as unimportant one. But infrastructure for ITIs does not come under 80-IA.

[Translation]

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Mr. Speaker, Sir, I want to make this point clear that a little bit of confusion is there since we are linking it with a particular section 80-IA of income tax Act. The Government are of the view that tax exemptions being given under section 80-IA of this Act cannot be extended to the Private ITIs. However, there are other sections under this Act which give tax exemptions to such institutes, as the hon'ble Minister already said and this budget and Finance Bill which were being discussed also provide for certain exemptions for educational institutes. I want to make it clear that if an ITI imparting such trainings approach us for getting certain exemptions and facilities, it would be taken into consideration.

SHRIMATI BHAVNA DEVRAJBHAI CHIKHALIA: Mr. Speaker, Sir, this question has been asked in the context of Gujarat only by a Member of Parliament from Gujarat and reply too has been given in the context of this state only. Through you, sir, I want to know from the Hon'ble Minister whether requests from other States have also been received for tax exemption under section 80-IA of this Act for the industrial training institutions in other states?

In reply to part B of my question, the hon. Minister just stated that they do not treat employment as a secondary issue but in the written reply, it has been stated—

"The provisions of section 80-IA of the Act aim at providing infrastructural facilities to roads, highways, power and mineral oil etc. and not the tertiary or secondary activities like the training of personnel and employment."

I want to ask why a major problem like unemployment has been relegated to a secondary position in the written reply. I want to know whether it would be expunged from the records and whether the Government propose to give tax exemptions under section 80-IA to such institutes, if they make such a demand and give a boost to employment opportunities?

[English]

MR. SPEAKER: This is not a supplementary question. Dr. V. Saroja.

[Translation]

SHRIMATI BHAVNA DEVRAJBHAI CHIKHALIA: I have asked about other States also.

[English]

MR. SPEAKER: If the Hon. Minister likes to respond to it, he can.

SHRI KADAMBUR M.R. JANARTHANAN: No other State has applied for it.

[Translation]

SHRI YASHWANT SINHA: Mr. Speaker, Sir if there is any mistake in Hindi translation, that has to be corrected since the English version of the draft says:

[English]

"...and not to the tertiary or secondary activities like the training or employment of personnel."

[Translation]

We are of this view that tertiary or secondary activities are in no way less important. Hence I want to make it clear that such an impression might have been created by the Hindi translation of the draft, however the govt. do not accord less importance to employment in any way.

[English]

DR. SAROJA V.: Mr. Speaker, Sir, the provisions under Section 80 I(A) are meant to give incentives to the development of basic infrastructure like roads, highways, etc. In order to avoid traffic congestion at Chennai Metropolitan City, will the Government of India come forward to provide road flyovers or bridges over the Buckingham Canal? Is there any proposal which the Government of India has received from the Government of Tamil Nadu?

MR. SPEAKER: It does not arise out of the main question. Mr. Minister, do you want to reply?

SHRI KADAMBUR M.R. JANARTHANAN: Sir, I can reply.

According to Finance Bill (No.2) of 1998, the inland waterways and inland ports had been included for the purpose of getting these benefits. If it is for the Buckingham Canal and if any proposal comes for development of infrastructure, it will be examined and considered.

SHRI VARKALA RADHAKRISHNAN: Sir, I am a little confused. So, I would request the hon. Minister to clarify the position.

So far as I know, the ITIs throughout India are functioning on a set pattern. I do not know whether there is any infrastructural development which is involved for any one of these categories. As I understand, Section 80 IA of the Income Tax Act deals with another matter. They do not mean that exemptions are granted for development of infrastructure; and infrastructural development is meant for some other purpose. So, this exemption is not applicable to ITIs and more especially, for private ITIs. How did the Government consider the suggestion made by the Minister from Gujarat? It has been written in the answer that there was a proposal from the Minister from Gujarat and the Government did consider it. How did the Government consider it and what was the consideration.

So far as I know, there are entirely different matters; and Section 80 IA is not applicable to the ITIs.

SHRI KADAMBUR M.R. JANARTHANAN: The hon. Member has asked the main question as:

"Whether the Union Government have received any proposal from any of the State Government for exemption from payment of Income Tax for investment towards setting up of infrastructural facilities for private ITIs."

The answer given is that the Gujarat Government has approached the Ministry and thus, we have replied to it.

SHRI VARKALA RADHAKRISHNAN: What was the reply given? Did you consider it favourably or did you explain the position? This is what I would like to know from you. What was the stand of the Government in response to the Government of Gujarat?

SHRI KADAMBUR M.R. JANARTHANAN: ITI is producing only skilled labourers. It is not for infrastructure development at all. ...*(Interruptions)*.

SHRI VARKALA RADHAKRISHNAN: Sir, he has not answered my question. My question is very simple. What was the attitude of the Government in response to the communication of the Government of Gujarat?

SHRI KADAMBUR M.R. JANARTHANAN: I think the hon. Member is confused....*(Interruptions)*

SHRI VARKALA RADHAKRISHNAN: What was the response? This is my question. But he has not answered by question....*(Interruptions)*

SHRI K.S. RAO: The hon. Minister is good enough to give incentives for highways, ports, etc. I just wish to know from him on one point. Coal washeries are equally important. By encouraging coal washeries in this country, you can make the railways free, the roads free, and pollution free thus reducing the cost of transport also. A lot of unwanted and undesirable coal need not be transported all over again. I wish to know from him whether these incentives will apply to coal washeries also so that they can be encouraged in a big way.

SHRI KADAMBUR M.R. JANARTHANAN: I want to tell all the hon. Members that giving incentives to the development of infrastructure under Section 80-IA came according to the Report of the Rakesh Mohan Committee. It is to inspire the confidence of the investors that incentives are given. Therefore, power, rail, road, etc. come under that Section.

SHRI K.S. RAO: Coal Washery is also part of power. So, it may also be considered.

SHRI KADAMBUR M.R. JANARTHANAN: Coal is a part of power. So, it may also be considered.

SHRI K.S. RAO: Is it that 'it may be considered' or 'it will be considered'?

SHRI KADAMBUR M.R. JANARTHANAN: It may be considered. It is because he has not included coal washeries whereas he has included power. Without coal, there is no power.

[English]

SHRI K.S. RAO: If it is not included, will you kindly include that also? It is because coal washeries are very important and are part and parcel of it. I would like to know on this point from Shri Yashwant Sinha.

SHRI YASHWANT SINHA: According to the list that we have, coal washeries are not included as part of infrastructure. But the hon. Member has made an excellent suggestion for action which we will take note of.

[Translation]

SHRI P.S. GADHVI: Mr. Speaker, Sir, in reply to this question it has been said in part (C) that an amendment in section 80 IA has been proposed in the Finance Bill, 1998. However, there is no proposal regarding above mentioned special training of Gujarat Government. Hon'ble Minister has informed that he is going to include the suggestion regarding training in the amendment of the Finance Bill.

[English]

I want to know whether this is right or whether what he says is right. The hon. Minister has told that they are going to think of an amendment in the Finance Bill. But they are denying it here. What is the correct position? I would like to know it from the hon. Minister.

MR. SPEAKER: Actually, this is not a supplementary.

[Translation]

SHRI P.S. GADHVI: But this was the intention of Gujarat Government and now in the reply to the question it is being said that there is no proposal regarding special suggestion given by Gujarat Government for training.

[English]

MR. SPEAKER: Please take your seat. Would the Minister like to reply?

MR. KADAMBUR M.R. JANARTHANAN: The main question deals with ITIs. So, his supplementary does not arise from the main question.

Automobile Units

+

*545. SHRI ANANT GANGARAM GEETE:

SHRI MADHUKAR SIRPOTDAR:

Will the Minister of COMMERCE be pleased to state:

(a) whether the Automobile units set up with foreign collaboration have failed to meet their export commitments;

(b) If so, the details thereof; and

(c) the steps taken by the Government to enforce this commitment?

THE MINISTER OF COMMERCE (SHRI RAMAKRISHNA HEGDE): (a) to (c) : A Statement is laid on the Table of the House.

Statement

The Government had taken a decision on 26th June, 1995 that the foreign joint venture companies which had obtained permission for establishment of production facilities for passenger cars should enter into a Memorandum of Understanding (MoU) with the DGFT specifying, inter-alia, their projected export earnings from the export of intermediate and final products of the company. No minimum export commitment was stipulated by the Government and the joint venture companies with foreign collaboration were required to give their own projections regarding exports over a period of five years. The first licence for import of CKD/SKD kits was to be given to such companies only on signing the MoU and the subsequent licences, after the first year, were to be issued on the basis of the progress achieved by these companies in relation to their own projections regarding exports etc. Accordingly, six joint venture car manufacturing companies signed MoUs in 1995 and were granted licences for the import of CKD/SKD kits. When the export performance of these companies was assessed it was found that only two out of the six companies had achieved their export projections. Keeping this in view and with a view to bringing about uniformity and transparency, a new policy was announced vide Public Notice No. 60 dated 12.12.1997 stipulating that all these companies would sign fresh MoUs committing themselves to achieving, inter-alia, a broad neutralisation of foreign exchange in terms of balancing the actual CIF value of imports of CKD/SKD kits/components and the FOB value of exports of cars and components over the period of MoU. The period of export obligation as per the fresh MoU is to begin from the third year of commencement of production. The MoU is to be enforced through the import licensing mechanism. The MoU signing companies are required to submit annual reports to the DGFT and the joint annual review of the progress made in this regard would be undertaken by the Ministry of Commerce, Deptt. of Industrial Policy and Promotion and the Deptt. of Revenue. If the stipulated conditions in the MoU are not fulfilled, the companies continue to remain within the ambit of MoU and further import licences can be denied to such companies by the Government.

[Translation]

SHRI ANANT GANGARAM GEETE: Mr. Speaker, Sir, in reply to my question the Hon'ble Minister has said that six car exporting companies of joint venture had signed MoU in 1995 and they were granted licence to import CKD/SKD kits. When export performances of these companies were assessed, it was found that out of those six companies only two could achieve their export targets.

I want to know from the Hon'ble Minister as to what are the names of those two companies which have achieved the export target and what are the names of the remaining four companies which have failed to achieve the said target. I also want to know whether the companies which have been granted licence, was for the whole country or for a particular area?