

15.32 hrs.

STATUTORY RESOLUTION RE.
DISAPPROVAL OF THE FINANCE
(SECOND AMENDMENT)
ORDINANCE

AND

TAXATION LAWS (AMENDMENT)
BILL

[*English*]

MR. DEPUTY SPEAKER: Item Nos. 34 and 35 to be discussed together. Now Shri Girdhari Lal Bhargava will move the Statutory Resolution.

[*Translation*]

SHRI GIRDHARI LAL BHARGAVA (Jaipur): Mr. Deputy Speaker, Sir, I move the following statutory Resolution:

"That this House disapproves of the Finance (Second Amendment) Ordinance, 1990 (Ordinance No. 8 of 1990) promulgated by the President on the 15th October, 1990."

Mr. Deputy Speaker, Sir, I have moved this Resolution to disapprove the Ordinance that has been issued by the President in respect of fresh taxes to the tune of Rs. 810 crore. My humble submission in this regard is that two days before the ordinance was issued, the Prime Minister had announced that no fresh tax would be levied before the Budget. But hardly two days after that announcement, the poor people of this country were burdened with fresh taxes to the tune of Rs. 810 crores. This has led to loss of cred-

ibility of the Government among the people and a feeling has gained ground that there is a lack of coordination among three concerned agencies namely, the Prime Minister, Prime Minister's Secretariat and the Ministry of Finance. What I want to say is that if such a measure was contemplated, a legislation to this effected could have been passed in the session that was convened on the 7th October, 1990. Since no surcharge has been levied on foreign companies, it may hit exports on the one hand and on the other hand the foreign companies will get undue advantage. Not only that, it will result in further deterioration of balance of trade position. The basic point which I want to raise here relates to the logic which the Government has put forward while levying these taxes. It says that government has been forced to spend huge amount on evacuating the Indians who were held up in the gulf and hence these taxes to the tune of 810 crores.

Mr. Deputy Speaker, Sir, I would like to ask as to how many time will the government levy taxes in the name of gulf? Initially, 8 per cent surcharge was levied in the name of Indians living in gulf countries. Therefore a like of 25 per cent on petroleum products was made in the name of gulf crisis. Then surcharge was levied on air travel, yarn, cold drinks and a number of other items, all in the name of gulf crisis. I would like to ask the hon. Minister that we the Members of Lok Sabha would like to know the amount of money the government has spent so far on evacuating the Indians from the Gulf because through this ordinance the poor people of this country have been burdened to the tune of Rs. 810 crores. The Government should publish at least the details of the expenditure incurred under this head so that we are able to tell the people as to why we

have supported this Bill. (*Interruptions*)

SHRI HARISH RAWAT (Almora): These taxes were levied when your party was supporting the government. (*Interruptions*)

SHRI GIRDHARI LAL BHARGAVA: It is meaningless to say that the taxes were levied when our party was supporting the government (*Interruptions*) But the ordinance has come before us today only. Chandra Shekhar Government whom you are supporting has not levied these taxes. I do not think these taxes were levied when we were supporting the Government. In the light of this fact, I would request Shri Rawat to make amends in what he has said. (*Interruptions*) I want to know as to how much the Government has spent under this level, how many Indians were evacuated from the gulf, how many of them were rehabilitated and how many more are yet to be rehabilitated. This House must be given at least. This much of information.

Mr. Deputy Speaker, Sir, so far as question of economic crisis is concerned, it was feared that the price of petrol will go up to Rs. 40 dollars per barrel and accordingly the price of petroleum products was raised. But contrary to the apprehension the price did not rise that high. In fact it slumped. But the Government did not reduce the price. Therefore, what I want to say is that there was no need to levy fresh taxes in the name of gulf crisis. Through this ordinance. So far as the question of levying surcharge is concerned, you know this process pretty well because you have been a Member of this House for a long time. If only surcharge is levied in the regular budget, the income tax payer is given assurance that income tax law will not be amended in any way during the year. On the one hand we talk about long term economic policy, but on the other hand the very sanctity of the budget is being eroded by amending the income tax policy in the mid-year. I think even the Congress Party did not adopt this policy during emergency. Therefore, the government should not resort to levying surcharge before the budget.

About from that, the Government has betrayed the industry by changing the limit of depreciation in the mid-year. This will result in making the financial position of those units unsteady which have made investments after 1st April, 1990. The non-resident Indians and the foreign companies will shy away

from investment and all efforts that have been made to attract the non-resident Indians will come to naught. Another submission which I want to make to you is that repeated likes in taxes leads to tax evasion. The possibilities of tax evasion have increased all the more since the rate of surcharge in respect of individual tax payer has been increased from 8 per cent to 10-12 per cent, because if the increase in income is more than Rs. 75,000, the increase in surcharge will apply to the income tax on Rs. 75,000 also. In my view, black money to the tune of Rs. 40 to 50 thousand crore is generated in the country. If the government could flush out even 10 per cent of it, there would not be any need to levy fresh taxes on the poor people. Since you are ringing the bell repeatedly, I shall have to adhere to your instructions. I would say once again that taxes to the tune of Rs. 810 crore were levied on the poor people through our ordinance despite the announcement made by the Prime Minister that no tax would be imposed before the budget. Barely two days after he made this promise, the people were burdened by levying taxes worth Rs. 810 crore. I would therefore request the government to withdraw these taxes. With these words, I conclude.

[*English*]

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Sir, I beg to move;

"That the Bill further to amend the Finance Act, 1990 and the Income-tax Act, 1961, be taken into consideration."

Sir, the hon. Members are aware—and I might like to clarify to the hon. Member Shri Bhargava—that the Bill that we have brought before the House, consists of two parts. One is the regularisation of an Ordinance which had been adopted or passed by the previous Government on the 15th of October, 1990, imposing certain taxes, and the other is certain other taxes which we propose to levy now. It has clearly two parts. My friend Shri Harish Rawat was trying to point out to him that this order was passed by a Government which had the support of the hon. Member and his party and, therefore, for him to turn back now and to say that he opposes the regularisation of that Ordinance and its enactment into an Act, is something which intrigues me.

[Sh. Yashwant Sinha]

Sir, the hon. members are aware that as a result of the crisis in the Gulf, the Government had undertaken massive efforts to evacuate Indians working in that area and provide relief to them. With a view to partly meeting the costs involved in this effort, the Government had decided to mobilise additional resources through, inter alia, increasing the surcharge on income-tax payable by domestic companies. Since the parliament was not in session and it was necessary to take immediate action to raise the resources, the Finance (Second Amendment) Ordinance, 1990 was promulgated by the President on the 15th October, 1990. Under this Ordinance, the surcharge payable by domestic company during the financial year 1990-91 on incomes exceeding Rs. 75,000 was increased from eight per cent to fifteen per cent. The Ordinance provided that the surcharge at the higher rate of fifteen per cent would apply while deducting tax at source from payments made to a domestic company where such deduction is to be made under various provisions of the Income-tax Act 1961 and the Finance Act, 1990. The Ordinance also provided that the enhanced rate of surcharge would apply while collecting tax at source from domestic company engaged in the business of trading in alcoholic liquor for human consumption (other than Indian made foreign liquor) or forest produce as well as while computing the amount of advance tax to be paid during the financial year 1990-91. As the date by which the first instalment of advance tax due on 15th September, 1990 had already elapsed before the Ordinance was promulgated and the Government's intention was to raise additional resources immediately, the Ordinance provided that the surcharge immediately, the Ordinance provided that the surcharge in respect of instalment of advance tax payable on 15th September, 1990 could be paid by 15th November, 1990.

This will yield revenue of about Rs. 400 crores.

One of the objectives of the Bill is to replace the provisions of the Finance (Second Amendment) Ordinance, 1990.

The present Government, after assuming office, undertook a review of the eco-

nomie situation in the country. As a result of the Gulf crisis, which has affected imports and excise duty realisation, and the domestic disturbances which have affected production and movement of goods, the budgetary deficit might reach alarming level unless immediate steps are taken to restore some balance in the fiscal account. As a part of the strategy to meet this challenge, the Bill seeks to enhance the rate of surcharge on personal income-tax from the existing rate of eight per cent to twelve per cent. Under this proposal, resident non-corporate tax-payers having taxable income exceeding Rs. 75,000 during the financial year 1990-91, will be required to pay surcharge on income-tax at the rate of twelve per cent of income-tax as against the present rate of eight per cent. The additional surcharge will be levied while deducting tax at source from incomes subject to such deduction paid after the date on which the Bill, as enacted, received the assent of the President. Similarly, surcharge at the enhanced rate will be levied in cases where, under certain special provisions of the Income-tax Act, assessments of the current incomes are to be made during the current financial year and these assessments are made after such date.

Non-corporate resident tax-payers liable to advance tax during the current financial year will also be required to take into account the enhanced rate of surcharge while calculating their liability to advance tax. They will be required to make good the deficiency in the first two instalments on this account while paying the last instalment due on 15th March, 1991. Persons responsible for paying salary income will also be required to adjust the deduction from such income during the remaining part of the current financial year so as to recover the surcharge at the enhanced rate for the whole year.

This proposal is likely to yield revenue of Rs. 140 crores in a full year. The estimated revenue during the remaining part of the current financial year is Rs. 60 crores.

Another proposal for additional resource

mobilisation in the Bill relates to the business sector. At present, depreciation in respect of plant and machinery used for the purposes of the business is calculated at the rate of 33.33 per cent, 50 per cent and 100 per cent. Other assets like buildings, furniture and ships are depreciated at rates ranging between 5 per cent and 20 per cent. As a one time measure, the Bill seeks to restrict the deduction on account of depreciation in respect of plant and machinery and other assets used for the purposes of the business or profession to 75 per cent of the sum calculated at the rate of depreciation prescribed under the Income-tax Act. This will have the effect of increasing the tax base of taxpayers carrying on business for the assessment year 1991-92 to the extent of about Rs. 2400 crores in a full year. Out of this, about Rs. 750 crores are estimated to be collected during the current financial year.

The other provisions in the Bill are of consequential nature.

After the introduction of the Bill it has been brought to the Government's notice that small business, normally carried on as partnership firms or as proprietary concerns, would suffer hardship from the proposed restriction on depreciation allowance. Accepting this point I propose to move a Government's amendment to the Bill to secure that the proposed restriction on depreciation allowance will not apply to the non-corporate taxpayers.

Sir, I trust that this Bill will receive the unanimous support of the House.

MR. DEPUTY SPEAKER: Motions moved:

"That this House disapproves of the

Finance (Second Amendment) Ordinance, 1990 (Ordinance No. 8 of 1990) promulgated by the President on the 15th October, 1990."

"That the Bill further to amend the Finance Act, 1990 and the Income-tax Act, 1961, be taken into consideration."

Some Members have given amendments to the motions. I would like to know whether they are interested in moving those amendments.

SHRI GULAB CHAND KATARIA (Udaipur): I beg to move:

That the Bill be circulated for the purpose of eliciting opinion thereon by the 2nd April, 1991.

SHRI GIRDHARI LAL BHARGAVA: I beg to move:

That the Bill be circulated for the purpose of eliciting opinion thereon by the 5th April, 1991.

PROF. RASA SINGH RAWAT (Ajmer): I beg to move;

That the Bill be circulated for the purpose of eliciting opinion thereon by the 9th April, 1991.

MR. DEPUTY SPEAKER: Now, Shri Raghavji may speak. Raghavji your party has been allotted 18 minutes. You are the only person to speak from your Party I suppose, because I have received only one name. So, please restrict your speech to the time.

SHRI KASHIRAM CHHABILDAS RANA
(Surat): Sir, I have also given my amendment.

MR. DEPUTY SPEAKER: This is at the consideration stage. You might have given the amendment to a clause. Yes, Raghavji, you may speak.

SHRI RAJGAVJI (Vidisha): Mr. Deputy Speaker, Sir, the hon. Minister was saying just now that the ordinance was promulgated when we supported the Government. But the hon. Minister might be aware that we withdrew our support three days after the ordinance was promulgated and while withdrawing our support Ramjanam bhoomi Babri Masjid dispute was not the only issue; There were other issues also like price rise and imposition of taxes etc. Hon. Minister may kindly correct himself....(*Interruptions*) The amendment provides that depreciation will not be allowed on non-corporate tax. I welcome it. While opposing the Bill I would like to further point out that though the hon. Prime Minister had categorically stated in Calcutta that no new taxes would be imposed before the budget but within a week new taxes were imposed in addition to the ordinance already promulgated. The hon. Minister said that new taxes to the tune of Rs. 810 crores would be imposed on account of reduced collection of revenue due to deduction of Rs. 750 crores for depreciation and sixty crores for surcharge. During the current financial year the actual increase would be of Rs. 1000 crores due to depreciation and Rs. 160 crores due to surcharge. It is true that 250 crores would be recovered after 31st March. So there is no need to mislead the House that taxes to the tune of Rs. 750 crore and 60 crore have been imposed. In fact taxes to the tune of 1160 crore have been imposed. These were imposed before the budget. Never before were direct taxes imposed, but this is the first time that a new practice has started in the name of sur-

charge and reducing the depreciation claim. Those who are in the trade and business make their plans according to the tax structure. Only 25 per cent margin has been given for depreciation. Those who must have calculated the depreciation at the existing rate and installed machines accordingly, they feel cheated. New taxes are imposed in the name of Gulf war and bringing back migrants from there. The Government is playing with the lives of people and the tax payers in the name of surcharge. In a country of 80 crore population such things will continue to happen and if the Government goes on imposing taxes at this rate it would not be fair. It should be discouraged at all levels.

Taxes of 1160 crores besides custom and excise duty of RS. 400 crore and taxes for corporate sector to the tune of Rs. 200 crore make a staggering total of Rs. 2000 crore as taxes. We are squeezing the tax payers and the voters. Four five years back when the budget was presented it was decided in principle that taxes would not exceed the fifty per cent limit. It has been observed that if taxes are more than fifty per cent the tendency of evasion is more and consequently Black money is generated. Earlier it was fifty per cent which gradually rose to fifty five per cent. But today with imposition of surcharge it has risen to sixty two per cent. If one happens to be a partner in a firm, in the first instance the partnership concern will pay income-tax and thereafter the partner will have to pay income tax on his share of income. In all a person has to pay 75-80 per cent as tax. There is no reason as to why the tendency of tax evasion should not increase. Black money would continue to be generated as a result of this.

MR. DEPUTY SPEAKER: Please conclude. There are many other members of your party who are yet to speak.

SHRI RAGHAVJI: I am not taking their time. I am speaking in the time allotted to me.

Moreover I am the only member of this side to speak.

[English]

MR. DEPUTY SPEAKER: You please come to the point. If you go on speaking on theories, it will become very difficult for me to adjust the time.

SHRI RAGHAVJI: Sir, I am speaking on very relevant points.

MR. DEPUTY SPEAKER: I have to give time to other Members also.

[Translation]

SHRI RAGHAVJI: Therefore this practice of generation of black money should be put to an end. There is no fair play with the State Governments because they do not get share in the surcharge which is levied. They should get their due share. I would like to emphasize that there is no need to impose these taxes. Why has there been a shortfall in collection of taxes. Government has not paid any attention to this problem. I would like to give some figures. The amount of direct taxes that was to be collected between April and November that is for about eight months has not been collected in full. Mr. Deputy Speaker Sir, the total estimated tax collection in the budget was Rs. 11515 crore. During the last eight months Rs. 7680 crore should have been collected but you would be surprised to know that only Rs. 3234 crore have been collected. This means a shortfall of Rs. 4446 crore. Similarly, the estimated collection of custom duty was Rs. 14306 crore but only Rs. 12468 crore have been mobilised. That means a shortfall of Rs. 1938 crore excise duty collection should have been Rs. 16780 crore whereas only

Rs. 14860 crore were collected. That is a shortfall of Rs. 1920 crore. In this way there has been a shortfall of Rs. 8304 crore in tax collection. Why did it happen? No effort has so far been made to know the reasons behind this. By the end of this year the shortfall will increase to Rs. 11000 crore. The hon. Minister did not mention anything about it. If the collection of taxes is done properly there was no need to impose new taxes.

Mr. Deputy-Speaker, Sir, I would like to point out here that though we amend the tax laws now and then but we have never bothered to simplify the procedures. Simplification of procedures in respect of Income-tax and wealth tax is essential laws are so complex that simplification is a must. Penalties are imposed even for minor technical reasons. Under section 272-A there is a provision of fine of Rs. 200 daily for non-submission of form. Even though tax may have been deposited fine at the rate of Rs. 200 is imposed for non-submission of form which may add up to even Rs. one lakh. This section should be removed so that the confidence of the tax payers is restored.

Mr. Deputy Speaker, Sir, while concluding I would like to say that generally all the parties declare in the Election manifesto that sales tax would be abolished. Sales tax is linked to income-tax. If additional excise duty is imposed then sales tax on many items could be reduced. There are many items which are manufactured in factories and on which additional excise duty is imposed sales tax is not imposed on these items. If more-items are brought under additional excise duty the number of items under sales tax can be minimised. This would reduce generation of black money. Less black money always strengthens the economy.

[Sh. Rajghavji]

Mr. Deputy Speaker Sir, with these words I oppose the heavy dose of taxes unposed by the hon. Minister.

[English]

MR. DEPUTY-SPEAKER: The Congress Party has 41 minutes. I have three names with me from it. You shall have to please adjust in the time given to your Party.

Dr. Debi Prosad Pal.

DR. DEBIPROSAD PAL (Calcutta North West) Mr Deputy-Speaker, Sir, on behalf of my Party although I am supporting this Taxation (Amendment) Bill of 1990, I view the imposition of the taxes with a grave concern. I have to necessarily sound a note of caution to the Finance Minister who is piloting the Bill that fiscal measures, it appears, in these days are taken, only for the purpose of augmenting the sources of revenue for the Government exchequer without even considering its impact upon the economy as a whole. the present Government undoubtedly has started with the legacy of almost financial bankruptcy which was sought to be brought about by the earlier Government of Shri V.P. Singh. When Budget of V.P. Singh Government was introduced, I sounded a note of warning at that point of time, that deficit which you have shown in your Budget is an illusory one. It is bound to have a much more greater is bound to loom larger because you have misled the people by giving certain figures on certain expenditure which did not correctly estimate the liability of the Government. That is what has come out to be true.

Even before the present Government came into power, the earlier Government just on the eve of their departure had issued an ordinance.

16.00 hrs.

By this Ordinance, they wanted to increase the revenue further. Now, this Bill seeks to support the imposition of the new taxes on the ground that there is increasing expenditure for the repatriation of the people from the Gulf and also because of the Gulf crisis and the repatriation of people from Kuwait increasing expenditure is bound to be incurred.

The question is if the expenditure is to be incurred, has the Government taken adequate steps by which the revenue could have been increased and the expenditure could be reduced up to a reasonable level. The imposition that is sought to be levied by the present Taxation Amendment Bill is mainly on two counts. One is the increases of surcharge of the non-corporate assesseees from 8% to 12%. Thereby, the Government expects that an increase of revenue to the extent of the Rs. 60 crores will be available to the Government for remaining term of the fiscal year and the other is the imposition which the Government is trying which is in an indirect way by withdrawing the normal depreciation which is available to the corporate sector on plant and machinery and reduce such normal depreciation by 25%. If you increase the surcharge on the non-corporate sector, then the individual assessee will be hard-hit. Already because of the mounting inflation, unprecedented inflation, generated by the earlier Government during the last eleven months, the people are simmering. They are almost at the point of break-down under the sky-high inflation and if this surcharge is again introduced upon the non-corporate individual assesseees, it is bound to affect them very adversely and seriously. The increase will be in respect of those non-corporate assesseees whose income exceeds Rs. 75,000 annually.

SHRI YUSUF BEG (Mirzapur): What is

the percentage of population that would be hit?

DR. DEBI PROSAD PAL: They are middle-class people. Rs. 6,000/- is not as much now as it was ten years back. Even the Government employees also are earning much more than Rs. 6,000/- at the higher level.

Regarding the corporate sector, it is a very serious thing. The earlier Government, during their regime of financial misrule, tried to withdraw the investment allowance given to the corporate sector. Investment allowance is given to the companies for development of their plant and machinery. For the new plant and machinery, the investment allowance is given so that there may be an impetus to industrial development in the country. Now the earlier Government completely withdrew the investment allowance which normally is given for a certain period of years. Without giving any notice even to the industry, they withdrew it by one stroke of the pen with the result that the companies were hard-hit and more than Rs. 800 crores were sought to be realised by the earlier Government by the withdrawal of the investment allowance. I pointed out at that point of time in this House that if you want to withdraw the investment allowance which is available to the company for seven years, then, in that event, you must give a reasonable notice as it was sought to be done earlier. Nothing has been done. Now the present attempt is to take away the normal depreciation by 25%. What is its impact on the taxation? As a result of this, the Government expects that nearly Rs. 800 crores will be realised from the corporate sector. But at what cost? Depreciation is allowed to replace the worn out plant and machinery.

16.05 hrs.

The Corporate Sector, by providing for depreciation, generates internal cash flow,

generates internal capital without borrowing and those are utilised for the development of the industry. Now by withdrawing the investment allowance, you have completely retarded the growth of industrial development and by withdrawing the normal depreciation by another 25 per cent, the industry, the corporate sector will not be allowed even to generate their own internal flow of capital by which they can develop the industry with the result that the industry is to rely upon greater borrowings, greater indebtedness from banks and other financial institutions with the result that the price is bound to soar high up. These two impositions which have been made are not only likely to retard the industrial growth but also accelerate the further increase in price because the companies will have to now rely upon borrowings.

Secondly, I would like to ask the Finance Minister to explain and clarify the position that if a company is entitled to a normal depreciation of Rs. 100 you are allowing him Rs. 75/-. What will be the position computing written down value in the next financial year? The fact of the matter is the Company will be fully deprived of this 25 per cent. In determining the written down value, the depreciation actually allowed is to be taken into account. It normally depreciation of 100% is reduced to find out the written down value and that will be indirectly further taxation upon the companies and the measures will be a draconian one.

Sir, by such measure increase in the revenue has been sought to be made by these two impositions. Kindly remember that out of the Rs. 2991 crores, Rs. 1560 crores have been sought to be realised from the Corporate Sector retarding the growth of the industry. Fiscal measure is not intended only to increase the source of revenue. It must make a balance and make adjustment between the fiscal growth and also economic justice. Nothing has been taken in view in imposing these taxes. We cautioned the

[Dr. Debi Prosad Pal]

earlier Government when they introduced the Budget that the deficit finance is in built in the fiscal policy. You are taking populist measures. You are taking only measures for vote-catching without considering what will be the impact upon the economy as a whole. Take for instance the farm loans. The waiver of farm loans was introduced by the earlier Government. We sounded a note of caution, a note of warning that this measure is not intended to redress the grievances of the poor farmers and the Government has already spent Rs. 4,000 crores and if full effect is to be given at least Rs. 7000 crores are to be spent. Is the present Government continuing the policy which has been introduced by the earlier Government in waiving the farm loans up to Rs. 10,000/-? An assurance was given before the House by the earlier Finance Minister that the banks and the cooperative societies which will be financing, they will be reimbursed by the Government. Will the Finance Minister clarify the position whether the banks have been reimbursed in respect of the money which they have advanced for waiver of loans? To my information, nothing has been done. The Cooperative societies which have to advance the money for the waiver of these loans, have not been reimbursed even uptill now. The result is that the banks and the cooperative societies which have advanced some money for the populist measures, for the waiver of the loans cannot get the reimbursement from the Government and the price rise is bound to further accelerate. If there was a deficit finance, if the Government revenue showed such a dismal position, then what was the occasion for the earlier Government to introduce what is called the Excise Refund measure which is one of the greatest scandals from the earlier Government. If the Government was short of funds, why the Government had introduced this Refund of the Excise duty on which the dispute is

pending before the Courts of law? (Interruptions)

SHRI NIRMAL KANTI CHATTERJEE (Dumdum): You are a knowledgeable person. You know that the excise duty refund has been continuing for the last forty years. (Interruptions)

DR. DEBI PROSAD PAL: Defence expenditure is there. Already, interest on borrowings today is more than Rs. 28,000 crores and Defence expenditure is Rs. 15000 crores. And the subsidy and the other export promotions are more than Rs. 8000 crores. Seventy per cent of the non-plan expenditure is incurred from the borrowings, which is contrary to elementary principal of fiscal principle and law. (Interruptions)

MR. CHAIRMAN: Please conclude. I want to accommodate more number of Members as at 5 O'clock, we have to take up the next item.

DR. DEBI PROSAD PAL: Deficit finance is a creation of the earlier Government. They did not introduce any measure of controlling the public expenditure. It was announced before the House by the earlier Government that the Government policy was to control the public expenditure. I want to know what measure have been taken by the earlier Government to control the public expenditure. On the one hand, public expenditure has increased without any restriction or control the Government in the provisions of the Bill wants to increase the revenue by whatever source they can by introducing populist measures. The Government, for example, now is trying to take loans of Rs. 3710 crores from the International Monetary Fund. This will have a great impact upon the inflationary pressure of the country. I am supporting this Bill introduced by the Finance Minister for dire economic reasons and necessity. They have got to find out certain resources for augmenting public exchequer.

But the legacy which they have taken, the real ill effect of this fiscal measure introduced by them has to be found out and eradicated. The seed has been sown by the policy of the earlier Government. And unless the present Government eschews that policy and finds out certain constructive measure, the introduction of this measure will not solve this economic problem of this country.

[*Translation*]

SHRI KIRPAL SINGH (Amritsar): Mr. Chairman, Sir there has been enough discussion on this Bill. Whichever party comes to power, it changes its stand. When they are in opposition they say something else and when they are in power they are different. How many times would we impose taxes in the name of Gulf Crisis?

What measures should be adopted to collect taxes from those who can pay and those who have more. No such proposal ever comes forth. Every time lame excuses are made to increase taxes. There is no need for me to provide evidence or argument because whenever the Government imposes taxes, the opposition complains that it is not a genuine reason. Even then the request is rejected on one pretext or the other.

I oppose the tax proposal that has been moved by the Government because life is becoming so difficult day by day that even the survival is difficult. Every Government that comes to power, raises slogans of better opportunities and better standard of living for the people but all promises prove hollow. They are just promise for the sake of promises. I don't think there is any need to repeat this thing. Without taking more time of the House I conclude by opposing this tax proposal.

Thank you.

[*English*]

MR. CHAIRMAN: Now Shri Susanta Chakravorty to speak. I request him to be very brief because at 4.30 p.m. the Minister has to reply and at 5 O'clock we are going to take up the discussion on Punjab.

SHRI BHOGENDRA JHA (Madhubani): What about the discussion on Gulf crisis?

MR. CHAIRMAN: You have seen the agenda and according to that we will go.

SHRI SAIFUDDIN CHOUDHURY (Katwa): The Government said that the Prime Minister will make a statement.

MR. CHAIRMAN: If it is so, definitely it will come.

SHRI BHOGENDRA JHA: The Business Advisory Committee had decided on Gulf Crisis, Punjab and Bofors—these three issues. There were unanimous views on this. How it would be accommodated?

MR. CHAIRMAN: At 5 O'clock we will take up the discussion on Punjab.

SHRI ANIL BASU (Azambagh): What about the statement?

MR. CHAIRMAN: I will find out.

SHRI SUSANTA CHAKRAVORTY (Howrah): Mr. Chairman Sir, close on the heels of the recent hikes on the Customs and Excise Duties, the Finance Minister has come out with the Taxation Laws Amendment Bill 1990. Now the Government by this law wants to impose two direct tax proposals. Firstly it wants to increase from 8% to 12% the rate of surcharge on the income tax on non-corporate sector. The Government expects that this will fetch an amount of Rs. 60 crores. Secondly the Government intends to limit

[Sh. Susanta Chakravorty]

the depreciation, the Government argues, will result in a higher tax profit and therefore consequently a larger tax collection. This will add to Rs. 750 crore to the govt. revenue.

The logic of the Government is that the surcharge that was imposed by the previous Government on the petroleum products and 7% surcharge on corporation tax all these are necessary steps; but those are not sufficient to neutralise the impact of the oil crisis. So the Government has come out with these two new tax proposals.

Now the question is whether the Government considers that the entire fiscal crisis that is now prevalent in our country is due to the Gulf crisis alone or there are some other factors also. The present increase in import bill cannot be attributed to the Gulf crisis alone. If explanations are to be sought for, it has to be sought in the large and growing import of capital goods, inter-mediaries and its components. For example, if we take capital goods alone, their share in total exports in 1989-90 rose from 21.8% in 1985-86 to 24.9% in 1989. This is clearly the result of the liberal import regime started in the mid-eighties and specially from the time Shri Rajiv Gandhi took over power here. If these symbols are overlooked no meaningful policy can be framed by the Government. I request the Finance Minister to take into account the fact that the liberal import policy has contributed much to this sort of crisis in our country.

Secondly, Whenever the Government wants to impose higher taxes it expects that their shall be higher tax collection. But the figures that are available go to prove that the Government has failed to collect more revenue with higher taxes. In this year, upto October, the direct tax collections have dropped by Rs. 474.90 crores, that is from Rs. 3238.48 crores, to Rs. 2763.58 crores

which was collected during the same period last year. The Government is to take care of it.

Thirdly, the Central Government always goes on imposing surcharge on income-tax because surcharge is not divisible. The policies of the Government in regard to taxation, in regard to other fiscal measures are such that the burden of these policies are to be borne by the State Government.s But the Union Government thus increases its own funds, keeping the States in starvation. We opposed these policies earlier and we oppose them now also. We have always mentioned in this august House that Government's increasing dependence is increasing on indirect taxation and we do not support that. Long-term fiscal policy announced in Decemoer 1985, co-terminus with the Seventh Plan promises that Government's reliance on the indirect taxation would be reduced. But the fact is that the Government is not pursuing that policy. I welcome the Finance Minister, in this case, that at least he has increased the amount of direct taxes, to a certain extent. In his statement, the Minister has assured that he will look for higher collection and that he would do monitoring. But the point is that the financial discipline in the country is at stake. The Finance Account for the year 1988-89 bears abundant evidence that the Government is turning a blind eye to a massive fraud. I shall cite only two examples. If the account is to be believed, cheques issued by the Government have been encashed for Rs. 284 crores in excess of the value of the cheques in the last one year alone. It is probably two times greater than what has been given as DALALI, in the Bofors case. And the Government cheques for nearly Rs. 2000 crores have not been encashed, even long after their validity periods were over. What sort of financial discipline we are having; The Government should seriously think about it.

Fourthly, Dr. Devi Pal, in his speech has

expressed concern over the amount of depreciation and things that will affect the growth of industries. I share his concern. I agree to have cent per cent depreciation. But, shall Mr. Pal agree to a tax rebate of 75 per cent? If he agrees to it, then, I have no objection. He also expressed concern for the industries. But, those who enjoy the depreciation should have concern for our country itself. They should do something for the country and that is the progressive step and progressive thinking. We know that Dr. Pal and his party have created this situation. In this context, I would suggest this and what to know as to whether the Government can consider the exemptions and concessions that are allowed in the name of charitable trusts, etc. and whether the Government is ready to plug the loophole or not. If they plug it, then, I am sure they will be able to collect more revenue. I should say that the Planning Commission promised that they would prepare a Paper on the black-money. We do not know the fate of the proposal. There is black-money in the market. The Government should think of bringing out the black-money. The Government should be very serious about it. *(Interruptions)*

Lastly the Government is thinking of taking a loan from the IMF. We do not know how much amount of assistance the Government is going to have from the IMF nor do we know the conditionality which is attached to it. But we know about the conditionalities attached to IMF loan taken during the regime of the Congress Government is there. We know how the working population had to suffer. Now if this loan is taken, then of in the previous regime its burden will fall upon the working population. I would request the Government to let us know about the conditionality attached to the IMF loan.

SHRI M.M. PALLAM RAJU (Kakinada):
Chairman Sir, I rise to criticise the Taxation Laws (Amendment) Bill as I see it a hasty imposition of additional taxes due to the

fiscal imbalance and because it is not a part of our broader economic solution. The recently imposed indirect tax bill of Rs. 1,340 crore by the Government is a staggering amount and comes on top of the Rs. 1,225 crore imposed by the last budget for 1990-91.

This taken impact on the fiscal imbalance, I feel, will do more harm than good and is clearly only a short-term gain. These additional taxes should have been imposed after considering their merits and demerits in the overall economic situation in the long run.

Although the IMF and CCFF loans for US\$ 3.5 billion have been negotiated, at this juncture, the economic situation does not look very bright against the growing reality of the Gulf war and the tendency of Governments, primarily at the State level to continue and to encourage populist measures which tend to rapidly deplete the coffers and hence stragulate the economies of the States. This is leaving State Government straddled for funds and in the unenviable position of not being able to clear debts.

For example, I would like to point out the condition in which most of the State Electricity Boards are working.

The present precarious balance of payment position and the dire fiscal situation calls for dexterous crisis management and instead what we get is more nitpicking.

These additional indirect taxes are bound to have a cascading effect on costs and prices in an economy that is already suffering under double-digit inflation. This ultimately is going to effect the common man. Another thing is that a rise in taxes is definitely going to encourage the parallel economy.

This nitpicking at a time when we had to show the IMF that we are serious about

[Sh. M.M. Pallam Raju]

tightening our belt during hard times, generates little confidence in our capabilities of tackling a crisis. What the Government should have demonstrated instead is that it is capable of calling for severe austerity measures in the right areas.

This revenue exercise has not touched upon the basic issue of monetary expansion which has contributed to the double digit inflation prevalent today. What it is bound to do is to push costs and subsequently prices higher in the prevailing situation of excess demand in the economy.

This revenue exercise will not go far in tackling the fiscal crisis too. This annual feature—I take it that these additional indirect taxes are here to stay, unless Dr. Subramaniam Swamy wishes to assure this House otherwise—cannot go on endlessly as the question is how many crores of rupees can the Government raise in additional taxes year after year. The hard reality for the Government to realise is that it has to curb its expenditure. I would like to pose some questions to the Government at this juncture. Where are the austerity measures? Where are the cuts in non-planned expenditure? Has the Government stepped up the search for alternative fuel resources? Have steps been taken to increase domestic oil production? What are its initiatives to step up exports? How does the Government plan to insulate the poor from the coming effects of further inflation? What steps are being taken to step up national productivity and industrial discipline? How does the Government propose to widen the public distribution system so that the poor are not touched by rising prices? What are the Government's actions against price rise?

Finally, I would like to conclude by saying that we should tighten the belt but not so tight that we suffocate the system.

SHRI BHOGENDRA JHA (Madhubani):
Mr. Chairman Sir, without taking much of your time, I would first like to oppose the policy of pre-budget. That can be characterised as a budget from the back door which has been happening for most of the years. Before the actual Budget comes, a heavy dose of taxation is imposed upon the people. I am not opposing the content of this Bill but I am talking about the method. If any method becomes a convention or a written convention, then one would hope—now that hope is belied—that the new Finance Minister and the new Government would have parted company on that convention. Here, another provision is there that with this convention, the Finance Minister and this Government is again going to follow the legacy of the same economic policy. One could hope that it would make a break with some aspects of this policy. Income tax surcharge is there. I am not to oppose that because that is imposed upon a class of some honest officers who will have to pay a bit and the income derived from under hand methods cannot be taxed. The Government is incapable of taxing that income. So, with regard to content, I am not opposing the surcharge on income tax above Rs. 76000 per year. But I am opposing the method. In this context, I would like to seek the opinion of the Finance Minister today on whether or not he would assure the House and the country that in the coming Budget, he will balance the direct and the indirect taxes, at least to the ratio of 50:50. At the present moment, I cannot expect that much. He was in that very party we had supported last year. That Government had imposed 73 per cent of indirect taxes and that led to mounting rise in prices of most of the essential commodities and inflation. So, that was a disastrous economic policy. Will this Government undo that policy a bit to balance at the rate of 50:50? My friend says that it can be 60:40. I am not expecting that much from them. Let it be 50:50 ratio, so that a minor beginning is made to have an effect in the economy of the coming year.

The second point is with regard to black money. We all talk helplessly about money, about parallel economy, but no step is taken. I would like to know whether the Finance Minister is going to unearth the black money, whether the Government is thinking of demonetising currency notes of Rs. one thousand and above, thinking of measures for dehoarding of gold, silver other metals, or some such thing so that if not entirely, at least a part of the black money, which is non-productive, not utilized for productive purposes is available for productive purposes. The gold is dumped in the ground without adding any thing to the wealth of the country and the hoarder's wealth goes on increasing. I would to know from the Finance Minister whether he is going to adopt any effective methods for unearthing the black money.

Then, about the bank advances to the private wholesale trade. I would like to know whether this Government is going to impose a strict policy that no bank finances will be given for private wholesale trade by the banks because this is doubly non-productive, doubly negative. Once the money goes to the wholesalers, with our money, they hoard the goods in their own godowns, while the consumers remain outside. They are not locked up in the godowns. Then the economics of Adm Smith and Marshal begin working. As in the market there are less goods and more consumers, the prices go on rising and the hoarder make huge profits. I am not talking of the retail trade. I would like to know whether he is going to do anything to stop advances to private wholesale trade entirely and utilize this money for advancing credits to State Trading Corporation etc.

One more clarification, I would like to have from him. I personally had talk with the earlier Prime Minister, Shri V P Singh, when I had presented to him the case of one year crop damage on ninety of hundred per cent as in the case of North Bihar floods of 1987 for debt cancellation of Rs. 10000. He had

directed in my presence that one year crop damage during those three 1986 to 2nd October, 1989 should entitle any person for debt cancellation up to Rs. 10000. He had also directed to publicise it and advertise it for the information of the general public. I have enquired from the various bank branches and I have been told that they have not received any such amended directive. I would like to know the position.

[Translation]

SHRI JAG PAL SINGH (Hardwar) Hon. Speaker, Sir, since there is paucity time so I will not go into jugglery of figures and I do not want to oppose this amendment bill. A very wrong practice has now come into being that before the actual budget is presented a heavy dose of taxation imposed upon people. I do not wish to cast aspirations on the previous Government which remind in power for eleven months only but I would definitely request the new Finance Minister to do away with this practice. You can not mislead the people rather you will get misled. I therefore request you not to adopt such practice in the future. I support the increase in the rate of surcharge which has been increased from 8% to 15%. Unprecedented price rise during the past 11th months has shattered our economy badly. An assurance should be given that this Taxation laws Amendment Bill will have its impact of increased surcharge only on the big business houses and not on the poor and middle classes of the society even indirectly.

I would like of submit that atleast big business houses should be brought within its purview. Another point which I would like to bring to the notice of the House is that the Indian Tobacco Company, which was earlier an imperialists company, annually evades taxes to the tune of hundred crores rupees before every budget. Whether the Govern-

[Sh. Jag Pal Singh]

ment officers are aware how they manipulate tax evasion? ITC approached the court in the matter of arrears. The court delivered judgement in favour of the Government, An amount of more than two hundred crores of arrears are outstanding against the company. Why this amount is not being released? Not only one, but hundred of such companies are there who are in arrears to the tune of crores of rupees. Strict action should be taken against those companies for the recovery of arrears even before this Bill takes the shape of law. In this way Government's revenue will go up by crore of rupees The government. is not paying attention to this I do not know whether the bureaucrats or the members of the ruling party are in collusion with them.

Mr. Chairman Sir I would like to make one more suggestion that an amendment should be brought in the next session i.e. budget session that it must be made mandatory for a company, a big business house or a person belonging to affluent class to deposit 50 percent of the tax arrears before it approaches the court for any relief in that connection because the litigation remains pending for years and such a period may be from 10 to 20 yrs and Govt. remains deprived of its legal dues. Such a deposit would discourage the companies to go to courts for frivolous litigation.

Mr. Chairman Sir, I fail to understand what compelled the Government headed by Shri V.P. Singh to have purchased almonds worth Rs. 250 crores from American that too at a time when the economy of the country was in a bad shape. The Government should not have spent money on such items. I cannot say if all that happened under the influence of America or any other country. I have written a letter to Minister of Commerce requesting him to stop the import of Soda-ash, which is being produced in sufficient in

our country as in that way foreign exchange worth Rs. 233 crores would be saved. I also make this request to the honourable Finance Minister. With these words I conclude.

SHRI DAU DAYAL JOSHI (Kota): Hon. Chairman, Sir, hard times lie ahead when in March the new Government will be forced to impose taxes to the tune of millions of rupees. I would submit to the Government not to impose new taxes because common man is already overburdened with taxes. One kg. edible oil now costs Rs. 40/- and wheat is being sold at the rate of Rs. 4.50 to Rs. 5.00/- per kg. And yet taxes are being imposed intermittently what this Government is upto?

Mr. Chairman, Sir, fresh taxes imposed by the Government, which are being severely used will make people feel the pangs thereof. The Government imposes such taxes, then it may not have a long life rather. In the Government should adopt austere measures In this context I would like to cite the example of Rajasthan Government. A committee has been constituted there for this purpose. Will such a committee be constituted in Centre also? Charity begins at home. Austerity measures should be undertaken at the Ministerial level so that common man is also inspired. Our socialist Prime Minister Shri Chandra Shekhar, who undertook Padyatra is now always escorted by motorcade and when he visits his constituency does not even steps out of his car or jeep. How it behoves such a great personality. If this Government is really interested in the welfare of the people and wants to run the country proper it should adopt austerity measures. Otherwise this country will disintegrate.

[English]

SHRI NIRMAL KANTI CHATTERJEE (Dumdum): I know about the time constraint. I stand up to clarify our stand on a few issues. Firstly, about the surcharge. A point has

been raised whether this surcharge above Rs. 75,000 is justified, given the conditions of our economy, Our answer is a firm 'Yes'. We have an objection: I will mention that also.

About those who have a taxable income of Rs. 75,000—maybe it is not known to Dr Debi Pal or may be it was not expressed or was suppressed by him—we know that their actual income is more than Rs. 1 lakh. There is an 80A provision of Rs. 13,000; and if he is a salaried person, he has a standard deduction, together with which it will be more than Rs. 1 lakh. How many people are there in our country, who have an annual income of more than Rs. 1 lakh? In that sense, the additional impost of surcharge is absolutely justifies, given the conditions of our economy.

But there is a second point. It is that surcharge is not only an instrument of collection, but it is also an instrument of deprivation for the State. Therefore, our preference would have been that the surcharge is merged in the tax rate. That is the one thing that I would have desired, and our party would have desired, and the entire Left would have desired. (*Interruptions*) Yes, the entire Left, excluding the Congress which sometimes thinks that it is left. (*Interruptions*) The third suggestion, in this connection, that I would make is that in surcharges, there is a possibility of progressivity. If it is 12% above Rs. 75,000, why can't you add a little and make it 15% on income of Rs. 2 lakhs? I am drawing his attention to this.

The other thing he has already mentioned. One more point: All direct taxes and indirect taxes have multi-purpose objectives. One of the objectives is egalitarianism, one is to have an impact on the prices. This is expected to have an impacted to have an impact on individual demand, by cutting into their incomes. But there are ways of doing it. I want to suggest them before concluding.

One other area is the huge public sector financial institutions, where investment is in favour of large and medium sector industry. I have suggested yesterday, in the course of another discussion, that you can utilize these funds for having a large care public sector—instead of strengthening large units whose major source of funding is public sector institutions—and thus control spiralling prices. That is also one of the objectives which this practice would serve.

[*Translation*]

SHRI GULAB CHAND KATARIA: I should also be given a chance to speak.

[*English*]

MR. CHAIRMAN: How many Members can I call? I have already called two Members.

[*Translation*]

SHRI GULAB CHAND KATARIA: Bai I had given a notice.

[*English*]

MR. CHAIRMAN: You have only given an amendment.

SHRI YASHWANT SINHA: I am extremely grateful to all the Members who have participated in the debate. I have been greatly encouraged by the understanding which they have shown, of the situation in which the country is, and I am. I have also greatly benefited from their advice. I must also confess that I am chastened by the criticism which has been made.

No Government in power likes to do things which are unpopular.

And no Government would like to impose taxes because imposing taxes, fresh

[Sh. Yashwant Sinha]

taxes is the surest road to unpopularity. I am also conscious of the fact that imposing taxes a few months or weeks before the Budget is a bad practice. I have no hesitation in saying that. We have been criticising it all along and we cannot become suddenly a votary of this practice. But, having said that, I would also like to say that the very peculiar difficult situation in which this country was and is—and I am not referring to the future which holds all kinds of horrendous possibilities. This situation was a situation which called for the necessary determination to be able to take this unpopularity. Now, I have received support in this House because members are aware of the difficult situation in which we are. (*Interruptions*) No, even the Bombaywallas support. But the method and the manner of the taxation has been criticised. As I said in the beginning, there are two parts to it. (1) What the previous Government has already done in view of the Gulf crisis which has affected this country. And the other is what we did after a review. The first point I would like to make is that it is not *Adhoc* measure; it is not *Adhoc* in the sense that we did not think of it in a piecemeal fashion. We took stock of the situation when we came into Government; and we decided that these are the steps which we must take in order to arrest any decline or the downward trend of our economy. That was very clear.

A point was made in regard to the pronouncement of the Prime Minister that we came out with taxation proposals immediately thereafter when he had said in Calcutta that there will be fresh taxation. There was a communication gap; and the communication gap because we had taken a decision in regard to all these taxes—the custom duty, the excise levy, the income tax surcharge and the surcharge on depreciation; all these things had been decided together. Since the Parliament had been called, it was incumbent on us to wait for Parliament to assemble

in order to bring this in legislation. Wherever Parliament had already authorised the Government, we went ahead in terms of excise and custom levy and imposed those taxes. The Prime Minister has had a number of discussions with the leading industrialists of this country, because we did not want to keep them in the dark. We told them clearly that there was a situation where the burden necessarily had to be shared especially by them, and they had accepted it; and I am glad to say that the industrial sector of this country responded favourably; they said, there was a certain amount of burden which they were prepared to take. It was in that context taking into account the totality of the measures that the Prime Minister had said that after this there will be no fresh taxation, we said, we will stand by that commitment.

Now much has been said about the common man; much has been said about inflationary tendencies. I must point out that a government which came into power in the month of November when eight months of the financial year had gone by and only four months were left, is not a government which has a lot of elbow room. We are already in a tight jacket; we are in a tight frame. The room for a manoeuvre is extremely limited; our options are extremely limited. In that kind of a situation, you cannot come with announcement of systemic changes; this is not the opportunity. The opportunity for systematic changes, for fundamental changes, for long-term policy will be the Budget; and I am sure, when the Budget will be presented to this House, this House will get an indication what we have in our mind.

SHRI BHOGENDRRA JHA: What you were to deliver in three months, the previous Government could not deliver in 11 months.

SHRI YASHWANT SINHA: Each month of that government we shall make up for each day we are in power. Therefore, we have very limited options. It is a fire fighting

measure. I have no hesitation in saying that. In view of the burgeoning budget deficit, in view of the fast depleting balance of payment position and in view of inflation crossing double digit figure, it was imperative for us to take certain measures to contain fiscal deficit. Now, what was the choice? What exactly have we done? It has been said that we must save on governmental expenditure. It is a common sense approach and you can credit me with at least that intelligence that it also occurred to me that we should try and control governmental expenditure. We have done that. And governmental expenditure we are not looking at not merely in terms of economy. We are also looking for the necessary signals to be sent to the country and therefore we are talking both in terms of economy as well as austerity. Because every rupee we would like to save. And every ostentatious expenditure we would like to cut and therefore we have issued very strict economy instructions, we have issued very strict austerity instructions. I am glad to inform this house that as against the Budget Estimates of 1990-91 as a result of these economy measures, it will be possible for us to save something this like Rs. 1850 crores against the Budget Estimates. I do not think that this is a small achievement in the period which is left with us in the next few months.

SHRI BHOGENDRRA JHA: I had suggested that the Ministers and the Members of Parliament should stop staying in five star hotels at the cost of public expenditure and a beginning has to be made. (*Interruptions*)

SHRI YASHWANT SINHA: We have issued detailed instructions in regard to economy and austerity, as I have said. As far as Members of Parliament are concerned, they have to use their own discretion and judgement. (*Interruptions*)

SHRI MURLI DEORA (Bombay South): Government is not paying for our stay in the hotels.

[*Translation*]

AN HON. MEMBER: Ministers do not stay in five star hotels.

SHRI DAU DAYAL JOSHI: It is proclaimed that a saving of more than Rs. 18000 crore is being done will the details be disclosed in this House which field they are saving .

SHRI YASHWANT SINHA: We are saving alround.

[*English*]

SHRI INDER JIT (Darjeeling): Could you circulate, for the benefit and information of Members the various steps which have been taken by the Government?

SHRI YASHWANT SINHA: Now, the second thing is, it has year. pointed out that revenue collection has declined this year. Now, as compared to last year's revenue collection, there is no decline but as compared to the Budget Estimates there is no decline but as compared to the Budget Estimates there is a decline and this is one of the first problems which I have faced when I went to the Finance Ministry and, therefore, personally I am taking a great deal of interest in this matter so that our revenue collection conforms to the estimates of the Budget. I have already visited Calcutta, I have visited Bombay and I have talked to the senior tax officials in both these commercial centres of the country. After this session I proposed to visit the other cities. This way, I am personally trying to motivate the tax collecting officials to do their best in order to ensure that the Budget Estimates are met, if not supposed within this year and that we make up for the shortfall in the revenue which has taken place. (*Interruptions*)

Detailed instructions have been issued to the tax officials as to what exactly that

[Sh. Yashwant Sinha]

have to do. This includes areas of collection, this includes disposal of cases which are pending and this includes all this.

SHRIBHOGENDRAJHA: Is any incentive offered?

SHRI YASHWANT SINHA: There is already a scheme for incentives. (*Interruptions*) There will be occasion for clarification. Otherwise, I will not be able to make any progress. After having taken a step in regard to the economy in governmental expenditure, after having taken steps to increase revenue collection, even after that, it may be essential for us to levy some taxes in order to reduce the fiscal deficit which we would have faced at the end of the financial year. Now what are those measures? Let me be very clear that the impact of these measures on the inflationary situation will be absolutely minimum. The only indirect tax that we have increased across the board is the customs duty. There is no other increase which is across the board. The others, the excise duties are product specific. They will raise the prices but only of certain products which are used not by the poorest of the poor, but by the well-to-do affluent sections.

17.00 hrs.

In this Bill we have particularly decided to raise direct tax. Mr. Bhogendra Jha was talking about the balance between indirect taxes and direct taxes. I am glad to inform him that in this particular case, we have made a provision for increasing direct tax. I am very glad that Shri Nirmal Babu has supported this. We have increased surcharge by four per cent only on taxable income of Rs. 75,000/- which, as he explained, means a gross income of over one lakh of rupees per annum. How many people in this country can claim to have an income of over one lakh of rupees per annum? Can they be classed

as poor? Are they common people in this country? Certainly not. If everybody says, 'I am a very special class. I cannot contribute', then who will contribute to the coffers of this country.

Another is in regard to depreciation. Let me make it very clear that depreciation levy is on the corporate sector. It is only 25 per cent less for calculating purposes. I have said in the beginning of my speech that it is a one time measure. There is no question of this being recovered in the later years. And particularly the fact should be noted that corporate sector includes both the public sector as well as the private sector. If my information is correct, the burden on the public sector will be something like Rs. 300 crores and the burden on the private sector will be about Rs. 400 to Rs. 450 crores.

MR. CHAIRMAN: I want to know the sense of the House. At 5 P.M. we have to take up Punjab discussion. If all the Members agree, then we can take up the discussion on Punjab after this Bill.

SHRI YASWANT SINHA: I hope to finish this in two or three minutes.

SHRI P.R. KUMARAMANGALAM (Salem): We can have take the discussion on Punjab tomorrow at 2 P.M. sharp. After this Bill, let us finish Supplementary Demands for Grants (Assam) and other measures in respect of Assam today.

MR. CHAIRMAN: We have allotted already two items for tomorrow one at 3 P.M. and another at 5 P.M. If you want to take up the discussion on Punjab tomorrow, then we have to decide the time for this. If you all agree that we can finish the discussion on Punjab within one hour, then we can have it at 2 P.M. tomorrow.

SHRI L.K. ADVANI (New Delhi): Mr. Chairman, Sir, the discussion on Punjab is

necessary and we cannot avoid it. We must have this discussion considering the situation prevailing in the State and it should be held at 5.00 p.m. I have just been informed that the Assam Appropriation Bill has to be sent to the Rajya Sabha tomorrow. So the Bill must be passed in this House today. That is why I said that if necessary I was prepared to accept postponement of the discussion on Punjab from 5.00 pm. today to 2.00 p.m. tomorrow. The discussions on President's Rule in Assam and the Appropriation Bill can both be taken up but the discussion on Punjab must definitely be held at 2.00 p.m. tomorrow.

[English]

Sir, after all this planning should be done by the Government. And if the private Members try to accommodate the Government, that should not lead to scuttling as important debate as that on Punjab.

SHRI P.R. KUMARAMANGALAM: Sir, I am totally in agreement with the Leader of the Opposition.

[Translation]

SHRI MADAN LAL KHURANA (South Delhi): Mr. Chairman, Sir, a discussion on Before was to be held Rule 193.

[English]

MR. CHAIRMAN: It is coming tomorrow. As it is we are continuing this Bill. After this Bill, we will be taking up Supplementary Demands for Grants and other measures in respect of Assam. The discussion on Punjab will be taken up tomorrow at 2 P.M.

SHRI YASHWANT SINHA: Sir, I am extremely grateful to Mr. Advani for having shown this consideration.

As I was saying, therefore, what we

have to remember when we are discussing depreciation is this. A point has been made that this is going to harm the industry, this is going to ruin the Indian industry and all kinds of things. Sir, the former Finance Minister is sitting here. I would like to make it clear that when he presented his Budget, he had reduced the corporate tax from 50 per cent 40 per cent and simultaneously he had abolished the investment allowance. Now a general theory was made by certain sections that if you reduce tax, you make more and the tax collection goes up. In this particular case, that theory has been completely belied. So, the corporate sector has had the advantage of a lesser tax rate at 40 per cent. Therefore, if we are asking them to pay a little more, it is not going to cause any damage to the Indian industry..... (*Interruptions*)

SHRI NIRMAL KANTI CHATTERJEE: The effective rate is not even 40 per cent. The effective rate is 28 per cent for the corporate sector because of so many exemptions.

SHRI YASHWANT SINHA: Therefore, the point that the new taxation measures that we have introduced will either lead to inflation or hurt the common man or the industry, I do not think are correct. Therefore, I would most humbly request the House to pass these measures which are in the national interest at this point of time.

SHRI GIRDHARI LAL BHARGAVA: Hon. Mr. Chair man Sir, two days prior to the Ordinance, the hon. Prime Minister had said that there would be no new taxes in the budget. It appears that he would keep his word and would not levy new taxes in the Budget. He has levied new taxes before the Budget and the prices are increasing. Secondly, taxes cannot be imposed with retrospective effect. May I know from the hon. Minister if these new taxes will come into force from April 1? Further, I want to know

[Sh. Girdhari Lal Bhargava]

whether such a financial burden can be put on the public. These aspects must be looked into. Introducing new taxes before the Budget amounts to an insult to the House.

A heavy dose of taxation means lesser buyers which will mean a decreased income and this will compel a reduction in the level of production. So it is wrong on the part of the State Government and the Central Government to think that these new taxes will increase revenue. Such a move defeats the very purpose of presenting a Budget. By limiting the rate of depreciation to 75% the Government will hamper industrial progress. The present economic policy is such that out of the 14 Nationalized banks, 8 are in the red. The rate which had been reduced from 33 1/3% to 20% will fall to 15% due to this reason. This will lead to closure of the car industry rendering many people jobless.

It is an established fact that lower the taxes, higher the earnings of the Government. These new taxes will reduce the earnings of Government. These new taxes will reduce the earnings of the Government because the level of productivity will fall. Taxes cannot be imposed with retrospective effect. That is why I have brought this Resolution. I hope the hon. Finance Minister will not impose these taxes with retrospective effect because a lower rate of taxes will enhance the level of earning, sales and productivity. This aspect must be considered.

Thank you.

SHRI YASHWANT SINHA: Sir, I have already said what I wanted to say. In my speech I touched upon the various points raised by him. I shall once again request him to withdraw his amendment.

[English]

MR. CHAIRMAN: Are you withdrawing

your Resolution?

[Translation]

SHRI GIRDHARI LAL BHARGAVA: I withdraw my Resolution

[English]

MR. CHAIRMAN: Has Shri Girdhari Lal Bhargava leave of the House to withdraw his Resolution?

SEVERAL HON. MEMBERS: Yes.

*The Statutory Resolution was by leave
withdrawn*

MR. CHAIRMAN: Shri Gulab Chand Kataria, are you withdrawing your amendment?

SHRI GULAB CHAND KATARIA: I am not withdrawing, Sir.

MR. CHAIRMAN: The question is:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 2nd April, 1991."

The motion was negatived

MR. CHAIRMAN: Shri Girdhari Lal Bhargava, are you withdrawing your amendment?

SHRIGIRDHARILAL BHARGAVA: No, Sir.

MR. CHAIRMAN: The question is:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 5th April, 1991."

The motion was negatived

MR. CHAIRMAN: Mr. Rawat, are you