

[Prof. Vijay Kumar Malhotra]

never made it a party issue. When Shri Jagmohan was sent as Governor, it came to my mind many times that he is the same Jagmohan with whom we have continuously fought. There was even a move to give him a ticket against Shri Khurana and me. But we thought that even if a Congressman can control and improve that situation, we should forget our differences and be ready to take any step to keep Kashmir intact.

Mr. Deputy Speaker, Sir, there are a few things which should be first considered before calling back Shri Jagmohan from there. It is being said that the people are getting alienated and that is why Shri Jagmohan is being called back. Just now, Shri Soz said that a lot of people are getting alienated also due to the B.S.F. and C.R.P.F. present there. Tomorrow you will say that they should also be called back. Later, the armed forces which are there and which are addressed as "Indian dogs go back" and about which it is being said that the forces are there to make them slaves: will be asked to be called back as these forces are also alienating the people there. After all, there must be some limit to alienation. When will this threat of alienation stop? Under this threat, don't you think that after Jagmohan's return the Government will be asked to call back the forces also. This is not a simple question. The armed forces, security forces and the para-military forces are all involved with this issue. As I have said earlier, atrocities committed on any innocent person should be condemned and the matter should be investigated. The hon. Home Minister has said in his statement that orders have been given to use minimum force there. Shri Jagmohan has also ordered to use minimum force in the valley. It will certainly strengthen the hands of Pakistan if we blow out of proportion an incident of such nature. Pakistan misinterprets these statements and quotes them throughout the world in a twisted manner so that they do not get the true picture of the situation. I would like to appeal to all the hon. Members to express their

reactions after considering all these things and larger interest of the entire country in view.

With these words, I conclude.

[English]

MR. DEPUTY SPEAKER: We will take up discussion on this matter tomorrow. We will have legislate business now. (*Interruptions*)

SHRI SOMNATH CHATTERJEE (Bolpur): Now the words of wisdom will come!

MR. DEPUTY SPEAKER: We will discuss it tomorrow. Now we will take up legislative business. Item Nos. 16 and 17 will be taken up together, for which one hour is allotted.

18.26 hrs.

UNION DUTIES OF EXCISE (DIS-  
TRIBUTION) AMENDMENT BILL  
AND  
ADDITIONAL DUTIES OF EXCISE  
(GOODS OF SPECIAL IMPORTANCE)  
AMENDMENT BILL

[English]

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): Mr. Deputy Speaker, Sir, as is mentioned in the revised List of Business, Item Nos. 16 and 17 will be clubbed together and, therefore, I will move both the Bills for consideration of the House. I beg to move\*:

" That the Bill further to amend the Union Duties of Excise (Distribution) Act, 1979 be taken into consideration."

"That the Bill further to amend the Additional Duties of Excise (Goods of

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\*Moved with the recommendations of the President.

Special Importance) Act, 1957 be taken into consideration."

The two Bills which I have moved today arise out of the recommendations of the Second Report of the Ninth Finance Commission for 1990-95. The Report alongwith the Memorandum as to the action taken on the recommendations was laid on the Table of the House on 12th March, 1990 as required under Article 281 of the Constitution. In terms of the Article 180 (3) of the Constitution, the Finance Commission is required to make recommendations in regard to:

(a) the distribution between Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under Chapter 1, Part XII of the Constitution and the allocation between the States of the respective shares of such proceeds;

(b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under Article 275 of the Constitution for purposes other than those specified in the proviso to Clause (1) of that Article; and

(c) any other matter referred to the Commission by the President in the interests of sound finance.

As the hon. Members are aware, the Ninth Finance Commission was constituted by the President by his orders dated 17th June, 1987. The Finance Commission was requested *inter-alia* to suggest changes, if any, to be made in the principles governing the distribution among the States of the net proceeds in any financial year of the Additional Duties of Excise leviable under the "Additional Duties of Excise (Goods of Special Importance) Act, 1957." The two Bills which are moved for consideration are for giving effect through Parliamentary Legislation to the Government's decision on the recommendations of the Ninth Finance Commission in their Second Report in re-

gard to distribution of net proceeds of Union Excise Duties and Additional Excise Duties.

Of the two Bills placed for consideration of the House, the first one deals with sharing and distribution of basic Excise Duties. The Commission has specified the percentage share of each State in sharable Excise Duty for each of the five years of 1990-95. During 1990-91, an amount of Rs. 8,589.65 crores is estimated on this account. The Second Bill relates to the distribution of net proceeds of Additional Duties of Excise. Additional Duties of Excise in lieu of Sales-Tax were introduced in 1957 in Pursuance of the decision of the National Development Council in December, 1956. Additional Duties of Excise have been levied and collected since then by the Centre and the entire net proceeds from the three commodity groups viz. Special varieties of the fabrics, tobacco including manufactured tobacco and sugar (excluding the proceeds attributable to the Union Territories) have distributed to the States in the manner recommended by the respective Finance Commissions. It is estimated that payment to the States on account of Additional Excise Duties during the year 1990-91 will amount to Rs. 1,598.72 crores.

I would like to reiterate our Government's commitment to place the Centre-State Financial Relations on a right footing so that *Indian Economy moves forward* and results in balanced regional development.

I move both the Bills for the consideration of the House.

MR. DEPUTY-SPEAKER: Motion moved:

"That the Bill further to amend the Union Duties of Excise (Distribution) Act, 1979, be taken into consideration.  
"

"That the Bill further to amend the Additional Duties of Excise (Goods of Special Importance) Act, 1957, be taken into consideration."

There are amendments to the motion for consideration suggested by the Members. I would like to know whether they are going to move these amendments. There are two Bills. First is the Union Duties of Excise (Distribution) Amendment Bill. There are amendments.

[ *Translation* ]

SHRI GIRDHARI LAL BHARGAVA (Jaipur): I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by 24th August, 1990." (1)

SHRI DAU DAYAL JOSHI (Kota): I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by 31st August, 1990."(2)

[ *English* ]

MR. DEPUTY SPEAKER: Shri Ram Naik—Not moving

SHRI HARISH RAWAT: I beg to move:

" That the Bill further to amend the Union Duties of Excise (Distribution ) Act, 1979, be referred to a Select Committee consisting of 10 members, namely:—

- (1) Shri Dileep Singh Bhuria
- (2) Prof. Madhu Dandavate
- (3) Shri Satynarayan Jatiya
- (4) Shri R. Jeevarathinam
- (5) Shri P. R. Kumaramangalam
- (6) Shri Peter G. Marbaniang
- (7) Dr. P. Vallal Peruman
- (8) Shri Banwarilal Purohit

(9) Shri K.D. Sultanpuri; and

(10) Shri Laeta Umbrey

with instructions to report by the last day of the first week of the next session."(4)

SHRI P.C. THOMAS (Muvathupuzha): I beg to move:

" That the Bill be circulated for the purpose of eliciting opinion thereon by 3rd September, 1990."(5)

SHRI P.R. KUMARAMANGALAM (Sa-lem): I beg to move:

"That the Bill further to amend the Union Duties of Excise (Distribution) Act, 1979, be referred to a Select Committee consisting of 5 members, namely:—

(1) Prof. Madhu Dandavate

(2) Shri Murli Deora

(3) Shri Eduardo Faleiro

(4) Shri Ajit Panja; and

(5) Shri P.R. Kumaramangalam

with instructions to report by the last day of the first week of the next session."

MR. DEPUTY-SPEAKER: There are amendments to the Additional Duties of Excise (Goods of Special Importance) Amendment Bill.

[ *Translation* ]

SHRI GIRDHARI LAL BHARGAWA: I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by 24th August, 1990."(1)

SHRI DAU DAYAL JOSHI: I beg to move:

" That the Bill be circulated for the purpose of eliciting opinion thereon by 31st August, 1990."(2)

[English ]

MR. DEPUTY SPEAKER: Shri Ram Naik— Not moving

SHRI HARISH RAWAT: I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by 22nd October, 1990."(4)

SHRI P.C. THOMAS: I beg to move:

" That the Bill be circulated for the purpose of eliciting opinion thereon by 3rd September, 1990." (5)

MR. DEPUTY-SPEAKER: All of them are moving.

PROF. MADHU DANDAVATE: There is one difficulty regarding the procedure. Some of the Members want to refer the entire Bill to the Select Committee. Certain names have been mentioned. Rules clearly state that you must take the consent of the members before suggesting that they should be the Members of the Select Committee.

SHRI HARISH RAWAT: We have taken the consent.

PROF. MADHU DANDAVATE: My consent is not there.

SHRI HARISH RAWAT: Your consent is not necessary. Your consent is presumed.

PROF. MADHU DANDAVATE: I do not want to disown my friend.

SHRI RAM NAIK (Bombay North): I want to support his point that it cannot be sent to the Select Committee. I have with me the Procedure Book of Kaul and Shakhder. On page 476 at para 1 it is stated:

"Consent of the Members whose

names are included in the motion for reference of a Bill to a Select Committee or joint Committee is not presumed but has to be expressly obtained by the Mover of the Motion."

So, nothing can be presumed. Since his consent has not been obtained, I think, this motion cannot be moved. That is why, what the Finance Minister has said is a valid point.

SSHRI HARISH RAWAT: It is very clear from the motion itself.

PROF. MADHU DANDAVATE: I do not want to embarrass my colleague and I give my consent, provided it is passed. (*Interruptions*)

MR. DEPUTY SPEAKER: I think they have solved this problem themselves. The Minister has given his consent on the floor of the House. If any Member is not willing to work as a Member, his name can be dropped.

SHRI SOMNATH CHATTERJEE (Bolpur): Sir, the point is more fundamental. The name cannot be given without ascertaining. It is not that afterwards it can be ascertained because somebody later on can say that he won't do it. Therefore it is not that any and every name can be included just for the sake of giving a motion.

MR. DEPUTY SPEAKER: Does that mean that the motion cannot be moved?

SHRI HARISH RAWAT: I have made it very clear that we have taken the prior permission from the Members. Prof. Madhu Dandavate shall be there in the Committee by virtue of being the Finance Minister.

MR. DEPUTY SPEAKER: The time is very limited. Let us proceed with the discussions. Shri Ajit Kumar Panja.

SHRI AJIT PANJA (Calcutta North East): Mr. Deputy Speaker Sir, now that two Bills are taken up for consideration together, the points being different, I am taking up the first Bill first, that is Union Duties of Excise (Dis-

[Sh. Ajit Panja]

tribution) Amendment Bill, 1990.

On the face of it, it looks very innocent and also encouraging to the States. The first report of the Finance Commission dated 29th July 1988, in item-2 provided for 40% of the net proceeds of shareable excise duties to be distributed among the States in the percentages recommended by it.

In the second report for which this Amending Bill has been brought, it has been stated that a sum equivalent to 45% of the annual net proceeds of shareable union duties of excise is to be paid to the States.

Therefore, as I said, on the face of it, it looks like as though the States are going to get 5% more.

Mr. Rawat has put in his amendment with my consent also. The formula which was adopted under the first report of the 9th Finance Commission seems to have been departed from. You will be surprised to know that the formula which has been adopted, and very carefully—that is why the Government came so quickly—is that the States which are not having deficit budget will not get the benefit of this sharing.

Now coming to the State of West Bengal, it has presented consecutively three budgets as zero budget. Therefore from that formula, as there is no deficit budget, immediately the sharing will not come within this formula.

SHRI NIRMAL KANTI CHATTERJEE (Dum Dum): He referred to the revenue deficit, not the overall deficit.

SHRI AJIT PANJA: Let me first make my point. Whatever you want to say that will come later. I think Prof. Madhu Dandavate is the Minister although you are supporting him.

The second point is, the poverty ratio was taken into consideration because it is

not a direct tax but an indirect tax in which the poor people also pay the excise duty. If one goes to buy a box of match sticks which is an essential thing or a candle or a small little thing in the villages where the people are below the poverty line, he is affected by it.

In the second report it is said:

"In view of the poor quality of available data, we are doing away with the poverty ratio."

Therefore the distribution according to the poverty ratio has been given a go-by in view of the poor available data. Who is responsible for this? It is the Government in their Statistics Department who have to keep the data up-to-date. The process is complete and there is no doubt that Prof. Prashanta Mahalanabis theory of sample data is available. When the poverty ratio is given a go-by, the majority of the people pay more of the excise duty, although it might be very small individual amount. But a vast population is paying for it. That is why we are objecting to it. Instead of poverty, you are taking backwardness as the criteria. What backwardness is this? Is a no industry district a criteria for backwardness? If the poor people are not taken into consideration, if their daily consumption basket is not taken into consideration as to what is their daily expenditure level, people below poverty line is still 30 percent of the entire population of 80 crore the basis of collection and distribution of excise is gone although they have to pay excise duty. There is no exemption that people below the poverty line need not pay excise duty. Therefore, the whole basis is wrong. I therefore submit that this has to be circulated for eliciting public opinion as to whether the basis is right.

The Ninth Finance Commission in the Second Report (In the First Report they did not do so) when the new Government came in on 18th of December, they had the Second Report—changed the entire criteria by which the States having more people below the poverty line will go on suffering, even though those people will be bound to pay the

excise duty that has been levied on various items.

Another thing which I would like to point out is this, which is the basic question. There was a census. In the previous Commission's Report, 1981 population figure was taken, though I am against it and I argued for it that the population figure should not be taken in making allocation.

On the one side we are asking the States to carry on the Family Planning Programme, spending a lot of money on it to see that there is family planning, that is the limit of the family should be small. On the other hand, we are saying that if there is more population, then the contribution to the excise duty will also be more. This is absolutely wrong. Sir, why in the Second Report of the Ninth Finance Commission, 1971 census figure should be taken, and not the 1981 figure which is available with the Census Department? Why 1971 census is taken? For this, no explanation is given. Accordingly, you recommend that the distribution among the States during 1990-95 of 45 per cent of the net proceeds of union excise duty should be done in the following manner: 25 per cent should be distributed among the States on the basis of 1971 population. Why in the Eighth Finance Commission and also in the First Report of the Ninth Finance Commission, it was taken as 1981 population? For this, no explanation has been given. The Government does not come forward with any explanation whatsoever in the Bill as to why, when the latest census date is available, they have not taken that. In 1991, we are going to have another census. Now, the population data is wrong; and the poverty level ratio is not taken into consideration. Therefore, the whole country's economy will be top syturvied. Although it has been stated arithmetically—Prof. Dandavate will get congratulations—that it has increased from 40 per cent to 45 percent, the Ninth Finance Commission by the jugglery of word and by changing the very basis, it has created an immense suffering to the people of the States which are very poor having poor population. It will be useless because we are having a

figure of 1971. They have taken the 1971 census for the distribution of excise duty and the figure of 1981 census for the distribution of excise duty and the figure of 1981 census for collection. The excise duty is an indirect tax to be paid by all people which includes poor and also who are below the poverty line, when they buy any goods on which it is levied. This is not like income tax where there is direct taxation. In income tax, the law is very clear as to how much amount the States shall get, out of the entire collection of income tax.

Therefore, in one way you are taking away the sales tax of the State and then saying that we are giving you this. But on what basis? Not on the poverty basis. But on the basis of backwardness. There is no definition of backwardness. We do not know whether it is the backwardness of the district or the backwardness of the block or the backwardness of the population or the backwardness of the State. How this is going to be divided? This will create immense suffering. Instead of giving benefit to the States and the Union Territories, there will be in equal distribution. In equal will be treated equally and equal will not be treated equally. This will be the position so far as this Act is concerned.

So far as the next Act is concerned, as it is being taken up together, I went through the report—the criteria of the first meeting of the Ninth Finance Commission—when Rajiv Gandhi's Government was there. On 18th December, when this new Government came in, the entire formula was changed. If you go in detail and read it carefully, it is being shown that we are giving more to the States. But on the other hand, by changing the formula, the people in the States and the Union Territories are going to suffer.

So far as the Additional Duties of Excise (Goods of Special Importance) Amendment Bill is concerned, the first report was made by the Ninth Finance Commission on 29th July 1988 and had recommended that the shares of the States in the additional duties of excise for the said goods be distributed by

[Sh. Ajit Panja]

giving equal weightage to State domestic product and population. The average state domestic product of the States for the years 1982-83 to 1984-85 and the population as in 1971 census had been adopted by the said Commission in arriving at the percentage shares of the States.

The second report on 18th December 1989 for the period 1990-95 had recommended that the shares of the States in the additional duties of excise for the said goods be distributed by giving equal weightage to State domestic product and population. They have used the new series of comparable estimates of State domestic product averaged for three years 1982-83 to 1984-85 and the population as in 1981. The question is of additional duties of excise on goods. We go by the population of 1981. Kindly see that. And when the distribution pattern comes, they go by 1971. What could be the reason? The reason is complete hoax and on the States. When the collection is concerned, 1981- census because more people are there more people are buying things, so more collection of tax will take place. While distributed the same, 1971 census is taken. This is a fraud on the statute perpetrated by this Government. I tried from the statute perpetrated by this Government. I tried from the Library and from the Research Wing. In a fiscal stature, not in a single year, it was treated like this by any Government that while collection of taxes will take place, we will take 1981 available census data but while distribution will take place, we go to 1971. From more people, collect more, keep more but while distributing, you give it to less people. This is the way they are coming out with their open-Government theory, value-based Government theory and trying to show as if they are trying to have democratic set-up in such a manner that the States are being looked after better than it was being done during the previous regime. It is not so on the face of it. I do not know what is the reason for it because the Ninth Finance Commission in that respect has not given any report.

Non-availability of data could not be the reason. I could not find any the reason. Have they stated that they referred it back to the Government? Have they said that they referred it back to the Government? Have they said that we want to delay it? This Government had time. What are the attempts made to get these data from the Planning Commission? The entire Statistics Department is under the Planning Commission. It is available at any time. Why was it not up-dated? It is not updated. It could update it by taking an idea of what is the development that is taking place. There are various criteria which could be fed and by that formula, we could find out by multiplying the same as on 18th December 1989 when this decision was taken. That theory was not taken care of. That was given long time ago by Professor Mahalanob is that if for any reason the sample, which has been taken, has become back-dated, then there is a question of updating it. And there are several other established methods by which it could be updated. This was not being done in order to defraud the States. Secondly, the Second Report starts like this. "Previous Finance Commissions starting from the second, were called upon to give their recommendations on the principles of *inter se* distribution of net proceeds of additional duties of excise among the States—(I have named it as 'A')—We are also required to give our recommendations on this subject according to Paragraph 5(a) of our Terms of Reference. Paragraph 7 breaks new ground by asking us—I am calling this as 'B')—also to give our recommendations on the merger of additional duties of excise with the basic duties of excise. We are further required, in the same para, to evolve a suitable formula for allocating a part of the merged duties of excise for the three—commodity groups for distribution among the States." So far as merger issue is concerned, it has been stated thus: "Merger of additional duties of excise with basic duties of excise was mooted in the paper on Long Term Fiscal Policy of December 1989." The present Prime Minister is the author of this long Term Fiscal Policy of December, 1989. You will be surprised to know that the Ninth Finance Commission, in its First Report, says that since they are not

getting enough data and there is some opposition from the States and all the States have not been consulted and therefore, they referred it to the second meeting of the Finance Commission. The new Government came in on the 18th December, 1989. Although the present Prime Minister is the author of this long Term Fiscal Policy, you will be surprised to know that in just one line, the second report of the 9th Finance Commission said that merger is not necessary now. Therefore, we are not doing the merger. I would read out that sentence also. 'If you don't take the entire package of doing so, then justice is not done to the States.' In the second report of 18th December, 1989, in Paragraph 8.4, it is given as "Much of the opposition against merger stems from the manner in which the tax rental arrangement was administered in the past." Then Paragraph 8.7. says thus: "We, therefore, do not recommend the merger of additional duties of excise with basic duties of excise." Therefore, in the Long Term Fiscal Policy, there are some points on which the Finance Bill would function to give distributive justice to the States not only in realisation but also in distribution. One point is taken out of that, namely, merger is given a go-by. And the whole thing is sought to be brought in just by showing some arithmetical figures that from just 40 percent, they are giving 45 percent to the States. Everybody is happy thinking that we will be getting more. What is the provision on by which we will be getting more? On what basis has it been done? That point has not been made clear. So far as the points of this Bill are concerned they are deferring the recommendation on merger issue until the second meeting. The distribution of the net proceeds of additional duties of excise are already dealt with. The entire ground of these two Bills is based on population and so called backwardness. That basis is given a go-by by saying that at the time of collection, 1981 population will be considered and at the time of distribution, 1971 population will be considered. This will create terrible danger so far as the finance of the States is concerned. The object will not be achieved. However if it goes up to the end of August for eliciting public opinion or even to a Select

Committee wherein Prof. Madhu Dandavate, our Finance Minister can be the Chairman. We can ventilate and get the reasons for this as to why it has been done in a manner.

[*Translation*]

SHRI RAM NAIK (Bombay North):  
Mr. Deputy Speaker, Sir, I would like to express my views on the two amendment Bills regarding the Excise Duty and Additional Excise Duty (Distribution).

The first thing I would like to say is that there is nothing like new Government or the previous Government, as Shri Panja has said. The Finance Commission was constituted by the previous Government only and there was no change in personnel. This report has been submitted by them only. So there is nothing like the previous Government or the new Government.

I would like to keep two important facts here. I have moved a motion that this Bill should be circulated for eliciting public opinion. This distribution has been done for 5 years, but it is based on economic policy of the previous Government. Now there is a new Government and there are new Members in the Lok Sabha and the people also have new aspirations. So it is necessary to hold a debate on this Report in the Lok Sabha. It is also necessary to know the public opinion on this report. I would like to submit one thing. I have got information that earlier, no debate was held on the Finance Commission Report. But a debate was held on the report of Eighth Finance Commission and Prof. Madhu Dandavate was the first speaker. It was held on the 9th October, 1984 and 12 Members participated in it. Shri Somnath Chatterjee, Shri Y.S. Mahajan, Shrimati Geeta Mukherjee, Shri Unnikrishnan and Shri Chitta Basu of the present Lok Sabha were also some of the Members who participated in it. So I would like submit here that a discussion should be held in the House on this report of Finance Commission and we should get an opportunity to express our views.



THE MINISTER OF FINANCE (SHRI MADHU DANDAVATE): I am very happy that there are people who read our speeches.

SHRI RAM NAIK: I am also every happy the way hon. Finance Minister is responding. I hope, he will give us an opportunity to hold a debate on the report this time, as he himself did on the previous report. In this regard, our opinion as well as the public opinion should also be elicited and so both these Bills should be circulated.

Now this Commission has submitted two reports first report and second report. There are some discrepancies in these two reports. I would like to give an example of West Bengal and also Maharashtra, in particular, the State to which I belong. The first interim report, described Bombay and Calcutta as two big cities where people from the entire country go in search of jobs etc. Both these cities are facing problem of slums. Slum development is causing great anxiety as so many problems have come up as a result there of and to solve the problems of these two cities, a special grant of Rs. 50 crores was recommended for each of them and the States were also asked to provide matching grant. An amount of Rs. 100 crores were to be used for the development of Bombay and Calcutta. Now in this second report, all the problems are the same, but there is no mention of the grant for Bombay or Calcutta. I would like to know how this has happened. In the interim report, Rs. 50 crores were recommended but in the final report, nothing has been mentioned and the problems remain as they were.

With your kind permission, I would like to raise a point regarding the railway facilities in Bombay City particularly in my area where about 25 lakh people reside in the 20 kilometre stretch between Andheri and Jagesh-wari and there is not even a single rail overbridge to facilitate the easy movement of people and goods, over the rail tracks. There are many other similar problems of that city. Therefore, when the Finance Commission in its first report recommended the grant of Rupees 50 crores, all sections in

Maharashtra including the Government and the Bharatiya Janata Party had unanimously requested that a special grant of minimum 1000 crore rupees should be given to solve the various problems being faced by Bombay city. About 80% of the total amount of income tax and excise collected throughout the country comes from Bombay and Calcutta alone. These two cities are like Milch cows. Hence you should provide fodder to these cows, otherwise, how do you expect to get a rich yield from them? I, therefore, urge that a metropolis like Bombay should be given a special grant of one thousand crore rupees.

The recommendations of the Finance Commission in respect of grants can be seen on page 89 of its second report. It can be seen from Table IV of that report that they have not recommended any amount of grant to four States viz. Maharashtra, Karnataka, Haryana and Gujarat. These four States do not have any deficit because with a view to do their work within their own resources, they impose new taxes. But I fail to understand the reasons for punishing those States which maintain a financial discipline and keep their deficit under check. Such recommendations are unjustified I have nothing against Uttar Pradesh, but Maharashtra, Karnataka and Haryana have been deprived of the Central grants just because of the State U.P. Uttar Pradesh has been given a grant of 3,235 crore rupees. That is gross injustice. You too have talked about the illogicality of these recommendations, I demand a discussion to seek the opinion of the House to remove these disparities on the basis of the 1971 census.

These seems to be no substance in the way allocation of grants has been made. I will give you the example of Maharashtra. Such examples can be found in the case of other States too. I have attempted to make a comparative study. The rate of distribution of income-tax which was 11.5 (per cent) as per the recommendations of the Seventh and Eighth Finance Commission has been reduced to 8-19 (per cent) by the Ninth Finance Commission. The share of Mahar-

ashtra in the Central revenues has been reduced by 3.31 per cent. The percentage of share of that state in the Central revenues (excise duty) which was 8.68 as per the recommendations of the Sixth Finance Commission, has now been reduced to 5.18 per cent. Also the share of that state in excise duty has been reduced by 3.40 per cent. Similar examples can be found in the case of other States too. The criteria being followed for the purpose of distribution is nothing but an act of injustice against those States which have been exercising a financial discipline. There for, necessary clarifications should be made in this regard.

Last December, I had made a reference to the small scale savings, wherein some percentage of the Provident Fund is given to the States. Maharashtra had been put to a loss of rupees 1,600 crores on that account during the Seventh Five Year Plan, due to the directives issued by the Central Government. When I raised this issue at that time, the hon. Minister said that the House would be informed of the reasons for this and also about the improvements that could be made in this regard. I agree that Shri Dandavate has a lot of word at hand, but the House has not been supplied with the required information so far. Maharashtra has always been a victim of this kind of injustice and it is being perpetrated on it even now.

These are the points I wanted to raise. We shall support these Bills and see that they are passed, but it is also necessary that permission is given for a discussion on this report. Secondly, you should endeavour to make an allocation of Rupees 1,000 crores for Bombay city in the next five year plan. The House should be informed of the stand of the Government in this regard. The States exercising financial discipline should not be penalised. With these words, I support both the Bills and expect the hon. Minister to reply to the points raised by me.

[English]

SHRI SUSANTA CHAKRAVORTY  
(Howrah): Mr. Deputy Speaker, Sir, conse-

quent upon the change in the recommendation of the Second Report of the Ninth Finance Commission and the subsequent acceptance of the Government of the same, these amendments have become imperative. Now, the shares of the States as a result of these amendments have increased. The basis for devolution of the net receipts of the excise duty have also undergone a change.

So far as my State, the State of West Bengal is concerned, the Government of West Bengal is happy to note that its share to the entire excise duty has increased though not to a large extent but at least to a little extent. I am happy to note that Mr. Panja is shedding tears for West Bengal. But for the last few years, they have deprived West Bengal on the plea of forming a strong Centre. Sir, The Central Excise Duty is an indirect tax levied by the Centre and the commodities manufactured in the country. Upto 1975, there were 67 commodity groups which were covered by the Central Excise. In the Budget of that year, a new item was introduced viz., Tariff Item 68 which covers goods not otherwise specified. The schedule to the Central Excise Tariff Act 1985 covers 96 chapters and goods falling under each chapter are divided and sub-divided into headings and sub-headings. From that year onwards, almost, all the goods manufactured in the country has been brought under the purview of the Central Excise Act. So, to enter into a discussion on the excise system in our country is just to enter into a labyrinth wherein we can play an unending game of hide and seek like the assessors and assesses.

There is no Constitutional obligation on the part of the Central Government to share the Central Excise Duty. It is rather optional. Still the fact is that the magnitude of the resources and the principle of distribution have raised questions. The States have been clamouring for more funds and the share of the states after the recommendation of each subsequent Commissions have increased to a large extent. It has been increased in two ways. In case of Income Tax, it has been raised by raising the Proportions of Income Tax. In case of Excise Duties, it has been

[Sh. Susanta Chakravorty]

raised by adding more items under the Excise Act.

As far as the recommendation of the Finance Commission is concerned, the divisible pool of excise duty should include the net proceeds of all excise duties including the special excise duty but exclude duties collected under the Additional Duties of Excise Act and the earmarked ceases. The departure is here. Now the entire amount of 45 per cent of Union Excise is to be treated as a consolidated amount. The question that arises is this. Has the poverty been given any weightage? The fact is that the Ninth Finance Commission has reported that in the case of distributing the Income Tax, the poverty level has been taken into consideration. The income of each State has been taken into consideration. So, they have now changed their decision, and relied of the parameters that have been used in this case by the first report, i.e. population of 1971, percentage of income-adjusted population, and the index of backwardness. And the backwardness was calculated on the basis of distance of per capita income of a State during the triennium 1982-83 to 1984-85 from that of the State having the highest per capita income, viz. Punjab. So, the need of the deficit State has not been taken into consideration, or the poverty level has been ignored are not the facts.

Poverty has been taken into consideration in other cases. Still I am of the opinion that while distributing shares to the States, and the Government must see that the dependence of the States on the shares is minimized.

In the case of additional excise duties, in the absence of reliable data of domestic production, the 9th Finance Commission has relied upon the latest available, comparable estimate of SDP average for three years, viz. for 1982-83 to 1984-85, and the population as per Census Report 1981. Now, the question is that the share of the State has increased. Still, the States demand that more

funds should be given to them, because they are becoming weak. Some say this is no mere fancy-wishing for larger funds. But most of the States are hard-pressed for resources to meet their welfare obligations, and other economic obligations. So, more funds are to be given to the States.

The First Finance Commission, in its report, stated:

"The method of extending financial assistance should be such as to avoid any suggestion that Central Government have taken upon themselves the responsibility for helping the States to balance their budgets from year to year."

Now, apparently I have no objection to it; but if we go deep into it, it is found as if a master is talking to his slave—a master with an iron rod in his hand asking the slaves: 'Unite, unite' which actually means 'Split, split'. This thing cannot go on for long.

The present practice of levying additional duties of excise is in the nature of a tax-rental arrangement. Almost all the States are critical about the operation of this tax-rental arrangement. Regarding the incidence of additional duties, an assurance was given in 1972 that it would be raised to 10.8% but only in 1990 this has been raised to 10.7%. This delay in raising the incidence has aroused suspicion on the minds of the States; and this suspicion must be removed, if we want to develop a healthy Centre-State relationship.

Lastly, I have already mentioned that the arguments in favour of the pertaining distribution system have been given in the name of developing a strong Centre, although the tax—base, as it stands now, is very much inelastic for the States. The Centre has larger share, and the States are becoming weak. They are roaming from door to door with beggar's bowl in their hands. That is not a healthy position. A strong Centre, for what? For combating provincialism; for combating regionalism, for combating sepa-

ratism? If this is so, our experience shows that all these have failed. And a strong Centre, against whom? Against Pakistan, against America, or against the people themselves, the people of India themselves?

Now the plea has been used only to weaken the people of India and the States in our federal structure. To make the federal structure strong, we should bid a good-bye to this practice. We should bear in mind whether the Indian polity is considered a federal one in a strict sense or is considered a federal one in a strict sense or is merely quasi-federal, the contribution of the States to the political and economic integration of the country is very vital. But their status and importance has been systematically impaired in ways which affect the country's unity under the erroneous belief that Center's writ by itself can ensure national integration. The sooner we come out of it, the better.

The Finance Commission is supposed to be a neutral export authority. But the neutrality of the finance Commission has not been maintained. Sometimes even the recommendations of the Finance Commission have not been adhered to. I thank the N. F. Government that they are at least willing to adopt and implement the recommendations of the Ninth Finance Commission.

With these words, Sir, I support the amendments moved by the hon. Finance Minister.

[Translation]

SHRI GIRDHARI LAL BHARGAVA (Jaipur): Mr. Deputy Speaker, Sir, I have moved an amendment for circulation of the Union Duties of Excise (Distribution) amendment Bill and the Additional Duties of Excise (goods of special importance) Amendment Bill for the purpose of eliciting public opinion thereon. I would like to draw the attention of the hon. Minister to the fact that excise duty is levied on those goods only which are produced in the factories. The Ninth Finance Commission in its report had made an additional provision of 5 per cent for the States

to meet the financial exigencies. Now that provision has been done away with, A provision has been made under which the entire amount of 45 per cent is to be released to the State Governments. It was in the first report, that the provision of 5 per cent was made for the State Governments. I would like to know the reasons for doing away with the provision of 25 per cent additional amount for the States. Mr. hon'ble Minister, Sir, I feel that even now it is essential to continue with that provision of 5 per cent, in order to provide financial assistance to the backward States facing a financial crisis. May be that the states like Maharashtra, Gujarat, Bengal and Punjab do not stand in its need but I believe that such an assistance is very much required by the backward states like the one which I represent here. The State of Rajasthan should be paid special attention.

The recommendations made by the Ninth Finance Commission in its report were based on the 1971 census. It has been the criteria for distribution of taxes as fixed by the Ninth Finance Commission. The allocation for the period 1990-1995 has been made on the basis of the 1971 census. I would like to request that the census of 1981, and not that of 1971 Should be taken as the base for the purpose of such distribution. That is my humble request.

Secondly, the average per capita income should be taken on the basis of the income of three years viz. 1982-83, 1983-84 and 1984-85. In this case too, the parameter used was the population of 1971. Therefore, I would like to request that the 1981 census, and not the 1971 census should be taken as the basis for calculating the average per capita income. Moreover the power of fixing the State's share in the Central Excise Duty should rest with the Central Government. That is not the case in respect of income tax because whatever amount of share of the State Government in the total income tax receipts is justified on the basis of the existing criteria has to be transferred to the respective state. You have taken the criteria of production and population for calculating the state's share in Central reve-

[Sh. Girdharilal Bhargava]

nues, but this is not right because Excise Duty is levied by the States and as such the area of the State should be taken as the basis. Therefore, I request the hon. Minister to see to it that area should also be taken into consideration in the case of, Rajasthan, as it is a desert area and as such the density of population is naturally very low. Although Rajasthan is a big State in terms of size, it has got a very low density of population. For example, if a well is to be dug, or pipes are to be laid in order to provide drinking water in these state, a lot of expenditure would be incurred on installing hand-pumps or digging wells, but the beneficiary population would be very small. I am thankful to you for keeping the entire amount of 45 percent as a consolidated amount, but you should make a provision for creating a separate fund of 5 percent for the state of Rajasthan keeping in mind the special circumstances prevailing in Rajasthan it is inhabited by a large number of tribals and a large number of people are living below the poverty line, the State has no source of income, there is an acute shortage of water and power and the kharif production has also been very low. The Congress has not been able to uplift the lot of the Scheduled Castes and Scheduled Tribes despite the continuance of reservations. You too have extended reservations for a period of another ten years and I hope that unlike the Congress party, the new Government won't neglect the backward States and I would like to request you to make a provision of 5 percent assistance to the States facing a financial crisis and to pay special attention to the state of Rajasthan.

The second thing I want to say is that instead of sales tax, additional excise duty is levied on tobacco, cloth and sugar. In his report, Shri Kamalapati Tripathi had said that the provision of sales tax should be done away with and excise duty should be imposed only on five items viz cement, Petroleum products, vegetable oils, paper and medicines. I would like to remind here that 11 years back, the Janata Party Government had announced the imposition of additional

excise duty on cement, paper, petroleum products, medicines and vanaspati after doing away with the provision of sales tax on these items. Therefore, additional excise duty should be imposed after abolishing the sales tax because I believe that the image of the present National Front Government is that of the people's Government.

We should therefore, not forget the promises made by our party 11 years ago. I would like to request that a committee should be set-up to decide the commodities other than these five commodities on which additional excise duty in lieu of sale tax may be imposed and the committee should be asked to submit its report within three months. We as well as Congress and its leader Shri Rajiv Gandhi had promised to abolish Sates tax. And now the traders are paving for it. Lakhs of the traders are facing difficulty due to it and it has given rise to rampant corruption. It is this sales tax which is the root cause of corruption and price rise in the country. Therefore, decision should be taken to abolish it. I would like to remind this too that Shri Vishwanath Pratap Singh himself had said as the Finance Minister that he would abolish sales taxes it is the mother of corruption and mine of black-money. Now, as he has become the Prime Minister from Finance Minister he should keep his promise and abolish the sales tax. The Finance Commission has also sent a proforma to the legal bodies of all the states in order to formulate an ideal sales tax law. Again the Ninth Finance Commission has made arrangements to collect reliable data about the consumption of Sugar, Tobaccos and cloth in order to fix additional excise taxes. The excise duty collected from these three commodities is not being given to the states as recommended by the Finance Minister. This is so due to the non-availability of data regarding the production and revenue received through sales tax. The Ninth Finance Commission also has expressed its helplessness in fixing the amount of extra excise duty in the observe of reliable data about the consumption of sugar, Tobacco and Cloth.

Therefore, they should fix direct taxes

for the states on the basis of National Sample Survey. Therefore, I would like to request that the states which provide the data regarding the consumption of these three commodities should be given greater amount and population of 1971 should form its basis. Therefore, I would like to request that we should make a provision of additional excise tax in lieu of sales tax by abolishing the sales tax. So, in accordance with the election manifesto of Congress as well as that of the National front additional excise duty should be levied and sales tax should be abolished. This is my suggestion as well as demand.

SHRI DAU DAYAL JOSHI (Kota): Mr. Deputy Speaker, Sir, according to the amendments proposed about excise duty and additional excise duty as per the report of the 9th Finance Commission it has been decided that a fixed amount will be provided to the State Governments through it. As Shri Ram Naik has told that the regions and states like Bombay and Gujarat are not willing to forego their rights. And this is correct also. Though the entire India is backward but Rajasthan is even more in every field. Besides, it is educationally very backwards as it stands 14th among the states in the field of education. Again, it is backward in rail network also. The Capital of Rajasthan is connected with metre gauge line, and the people who want to go to Ahmedabad have to travel via Baroda.

Mr. Deputy Speaker, Sir, Rajasthan is known as a desert region. A large part of Rajasthan is covered with Aravali Mountain range. Again due to geographical situation Rajasthan known as the most backward region. We have a socialist Finance Minister, I would therefore, like to request him that he should specify his criteria for distributing excise duty and additional excise duty as per the recommendations of Ninth Finance Commission. The Congress (I) Members also desire to know the criteria. Would industrial backwardness be kept in view. Rajasthan is only such state which is backward in every respect i.e. in the field of industry, agriculture, irrigational facilities. Therefore, I

would like to request the hon. Minister to recover crores of rupees which are lying as arrears with the industrial houses and to distribute them to states. I am saying this because in reply to question the Finance Minister had told this House that there are arrears of excise duty to the tune of Rs. 576 crores against 16 big industrial houses. These rich capitalists have accumulated millions and billions of rupees and go up to Supreme Court to defend themselves with the help of their permanent and salaried advocates. The Finance Minister is, therefore, requested to make speedy recovery of arrears of excise duty to the tune of crores of rupees and it should be distributed to the States. The Government should give priority to Rajasthan while distributing this recovered money, otherwise development in Rajasthan would suffer and it would remain a backward State. Therefore, I would like to request that this proposal should be publicised for three months to elicit public opinion.

[English]

PROF. MADHU DANDAVATE: We had a very interesting short debate. But when my friend Mr. Ajit Panja initiated the debate, though he is the former Finance Minister, he forgot certain conventions and certain traditions regarding the Finance Bill and also the consequentials. He wanted to transfer the entire responsibility on the new Government. I do not want to have any acrimony. But only to put the record straight, I want to inform this House that the second report of the Ninth Finance Commission was presented on 18.12.89. The Finance Commission was headed by an eminent economist, Mr. Salve. I think, it was a good document in spite of certain shortcomings. And normally the convention in the House for the last several years has been that whenever the Finance Commission's report is submitted, it is broadly accepted, there is a certain rational behind it. The Finance Commission is a statutory body. Its recommendations are generally treated by convention as an award. And no matter whichever be the party in power, generally the convention is that we accept those recommendations broadly. And

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of course, these are enabling provisions. In the budgetary proposals it does happen that sometimes allocations are made which go beyond and sharing is also slightly improved. I have got with me a short summary of all the reports and ambit of various Finance Commissions from the first to the Eighth one. I will not bother the House by trying to find out what one of our friends rightly pointed out how even the commodities to be included for excise duty and consequent sharing also went on expanding and it is a welcome process.

Another aspect that I would like to point out to the hon. House is that apart from the changes that have taken place, there are certain terms of reference by which even the Finance Commission is bound. The terms of reference require that 1971 population should be taken as the basis and not 1981. I do not want to blame Mr. Salve. But what could he do if the frame of reference and terms of reference restrict him to particular action and he could not go beyond that. Of course for distribution of additional excise duty in lieu of sales tax in 1981 a proxy consumption was assumed. That was the rationale that had been given by the Finance Commission. Not that I and you are satisfied by all the recommendations certain aberrations and distortions have taken place, as my friend Shri Ram Naik pointed out about Maharashtra. Shri Ajit Kumar Panja rightly pointed out about West Bengal.

**SHRI AJIT PANJA:** Is it true that 1971 census is taken for distribution and 1981 census is taken for collection. My point is that if you take 1971 as cut out line, take 1971 for collection of taxes as well as for distribution of taxes. How could you take 1981 census for collection and 1971 census for distribution. Then it will be unfair to in the States. That is my point.

**PROF. MADHU DANDAVATE:** I tried to find out what was the rationale that was given by the Finance Commission. They say that for distribution of additional excise du-

ties in view of sales tax which is tax rental arrangement and not part of the devolution, the Commission adopted 1981 Census as the proxy for consumption. That is the argument. I do not fully agree with him, but you must try to understand what was the rationale that was offered by them and why for one item they selected 1971 and for others they selected 1981. I would also like the House to take note of the fact that when I presented the Budget proposals, fortunately the 1990-91 Budget which takes into account the recommendations made in the Second Report of the Finance Commission was provided much larger amounts as shares of the taxes and statutory grants to States. For instance, in the 1989-90 Budget Estimates, the share of taxes was Rs. 12438 crores whereas in 1990-91 Budget Estimates it was Rs. 14426 crores. As regards the gap in 1989-90 Budget Estimates it was 1971 crores and in 1990-91 Budget Estimates it was Rs. 2546 crores and if you add them together in 1989-90 Budget Estimates the amount is Rs. 14409 crores and in 1990-91 it is Rs. 16972 crores and therefore, it will be an improvement of the order of Rs. 2563 crores. I would have been extremely happy if there were no resource constraints and if I would have been able to have a better sharing of the resources in the States because I am among one of those who always believe that it is not sense in going into the controversy whether Centre is powerful or the State is powerful. I believe that even if the Centre is to be strong, only at the base, if the states are strong, then only we can have a strong Centre. And even those who want a strong Centre, must realise that if the apex is to be strong, in that case the base has to be strong. And, therefore, from that point of view, more financial resources should be available.

Now, these are some of the distortions, but most important is the amendment that is moved by a number of friends. Some other friends wanted it to be referred to the Select Committee, other friends wanted it to be sent for circulation. Our friend from Rajasthan who is known as the hero of the Bills has also suggested that this should be circulated for

eliciting public opinion. Now, there is one difficulty that you do not realise. There are number of financial constraints in a number of States and you will be surprised to know that after the overdraft system has been almost dispensed with and the Reserve Bank has tried to tighten the monetary position, I think the Central Government is trying to take an accommodative position as far as the States are concerned and those States which said that they are in a very bad condition, we have made constructive proposals to all of them that if you are in a financially difficult position, there is only one option available to me on the basis of the Finance Commission's Report that if certain shares are to be made available to the States in that case, accepting that they are going to be accepted by the Parliament, I would calculate what will be your shares for the coming three months. And I will be prepared to grant to you three months in advance this particular amounts which will be very useful, especially for North East Regions, hilly regions, some of the backward regions and the States which are having acute financial difficulties. And if this is to be done I think: (*Interruptions*)

AN HON. MEMBER: Rajasthan is a backward region.

SHRI SAMARENDRA KUNDU (Balasore): Orissa is also a backward State.

PROF. MADHU DANDAVATE: Rajasthan and Orissa for instance are also accepted as backward States. I know it very well. (*Interruptions*)

Before you say that, I will say that in terms of the deserts, in terms of the irrigations facilities, in terms of communications, all the States are already included. The list is given. Therefore, Yamuna Prasad Shastriji, I need not again and gain refer to your backwardness—not political backwardness. In fact, some of the States which are politically advanced, are financially backward. That is a great paradox. Of course, some States like Bengal are politically advanced and also financially advanced. That is a different proposition. Therefore, we will take

proper precaution to see that advance assistance is given. And, therefore, if we want to calculate their share for three months in advance and grant them the necessary assistance, we should have the latitude and the permission to accept the recommendations of the Finance Commission, calculate the sharing according to that, and that too according to the traditions and the conventions, and assist some of the State which are badly in need of the finances. That is one of the propositions. Panjaji rightly raised the question of merger and also others have raised the question that the additional excise duty should be merged with the excise duty in general. There you will be probably, pleasantly or unpleasantly, shocked to know that most of the States have opposed before the Finance Commission, the merger of the additional excise duty into the general excise duty. That again was the constraint that was faced by the Finance Commission. I do not want to retrospectively defend everything that the Finance Commission has done, but I tried to understand what was the constraint that Mr. Salve faced. I am not referring to political constraints, I am referring to only financial constraints. Therefore, I feel that, by and large, some of the distortions and the imbalance which you have suggested are not doubt there, but there are ways and means by which these imbalances can be corrected by sources beyond the sources available for sharing with the States. We are trying to devise steps and machinery and methodology to find out those States which have financial difficulty, those States which are financially and economically backward, those States in which large sectors of Adiwasi areas are there, and also those States which have got large deficits. How it will be possible for us to assist them in a different manner, not relying only on the sharing of the resources in terms of the Finance Commission's Report, is to be indicated.

Shri Ram Naik referred to my initiation of a debate on the Finance Commission's Report in the last Parliament. He is correct. But, at the same time, at the end of that debate, we were forced to tell the Finance Minister—at that time Mr Y.G. Chavan—



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who was the Chairman of the Finance Commission also... (*Interruptions*)

AN HON. MEMBER: He was not the Finance Minister.

PROF. MADHU DANDAVATE: Not the Finance Minister. He was the Chairman of the Finance Commission. It was a slip of tongue. Sir, there are so many veterans that I confuse one for the other. But I do not mean any disrespect to them. Therefore, Sir, we had to assure him that we knew that the discussion on the Finance Commission's Report would be a theoretical type, but we hoped that whoever be the prospective Chairman of the coming Finance Commission, would take note of what we were saying at that time about the Finance Commission's Report of Mr. Chavan, so that it would be a guide for the future. From that point of view we had conducted the debate. None of the suggestions and amendments which we had suggested in that Finance Commission's Report were accepted. Of course, I am glad that whatever we discussed in that debate, was, to some extent, useful in the next Finance Commission's Report. Though everything was not accepted, partly all the suggestions were accepted. These being the constraints and these being the Constitutional bodies, broadly we have accepted all the recommendations and included them in the Budget. It is too late in the day to accept your amendment and sent it for circulation. That will create further difficulties for evaluation and calculation. That will create difficulties for the States which are asking us to give the Central quota from sharing and remove their difficulties. In the light of this, I will say to every Member that in spirit I am accepting every amendment but in reality I am rejecting every one of them. Therefore, I appeal to all the Members to withdraw these amendments and allow both the Bills to be passed unanimously. (*Interruptions*)

SHRI SAMARENDRA KUNDU: One small clarification, Sir. I will not take more than half a minute. This clarification arises

from the hon. Finance Minister's speech. It is good that the Ninth Finance Commission has suggested some way to help the States which are running in deficit. For that, 5% of the sharable excise duties is there. We are for that. But the Finance Minister knows very well that some of the backward States like Orissa, Rajasthan, etc. are over-burdened with deficits because of the previous Government. As far as Orissa is concerned, there is a carried over deficit of Rs. 135 crores with which the new Government in the State has to face because these deficits have been created by their mismanagement mal-administration and also due to certain direction of the Central Government in regard to increase of the wages and salaries for the employees, etc. I would like the hon. Minister to bear with us. I do not know how much this 5% allotment of the shareable excise duties amounts to in the case of Orissa and other States. If it does not meet the carried over deficit of the States, would the hon. Finance Minister try to or give the balance to such poor backward States? There are 11 backward States in India which are below the National per capita average. In India there are two 'countries', rich and poor the gap is increasing. We are taking of North and South divide on international spheres. In India, we should look at the position. Therefore, my humble request to the hon. Member is very reasonable. He is very humours, very good particularly to the backward States and I hope he will bear this in mind and do something.

SHRI RAM NAIK: Sir, the hon. Finance Minister has rightly said that whatever has been discussed will be useful to the next Finance Commission. But there has been no debate on the Finance Commission's Report. What we are discussing here is for hardly two hours. So, my request is that there should be a special debate on that, when we can explain it fully. So, will the hon. Finance Minister agree to my point of view?

PROF. MADHU DANDAVATE: We can have a post-mortem of the Finance Commission's Report.

SHRI NIRMAL KANTI CHATTERJEE: (Dumdum) Sir, one of the distinguishing features of the Finance Commission is that for the first time, a reference was made in the terms that it should have normative approach and secondly instead of revenue non-plan deficits, plan deficits are also to be taken into account. Mr. Salve was a friend of mine and he was the Chairman of the Finance Commission. When he came to Calcutta he wanted me to appear before the Finance Commission and I did that. Sir, the hon. Minister has said that we can have post-mortem of the Finance Commission's report. In fact, the first thing which I proposed was that you have to have norms. Who will fix up the norms today? In the course of last four decades of freedom, norms should have normally emanated from the Planning Commission. They have to take a total view and on the basis of that they can alone decide which State will require, how much? If that be so, I made a proposal which I do not think Prof. Madhu Dandavate will be in a position to accept today. That is, your first recommendations should be that the Finance Commission be eliminated from the Constitution and secondly, instead of that it is the Planning Commission which should be made the Constitutional body which should be appointed by inter-State Council and ask them for allocation among the States. This kind of thinking, as we have got experience of over 40 years, should be considered. In the case of West Bengal, I would say that when they estimate certain figures, the Finance Commission's report is that the deficit is Rs. 544 crores and the grant is Rs. 134.82 crores. Would you imagine for 1994-95, the recommendation is that their estimated deficit would be Rs. 196.57 crores that is, almost 1/3. The recommendation is that the grant will be more than the initial figure which will be Rs. 274 crores. These are the peculiarities of the recommendations which are there. It is regarded as the most curious Finance Commission ever functioning in the country. I therefore plead that a debate on the recommendations of the Finance Commission should be undertaken in the House which will be post-mortem which will be a post-mortem no doubt, but post-mortems are

beneficial for future generations.

PROF. MADHU DANDAVATE: Sir, I fully agree with his suggestions, but I am in your hands. At some stage if we can have the discussion not only on this Finance Commission report, but on the very structure and the terms of reference of the Finance Commission, that will be very useful even for the future functioning of the Finance Commission.

Secondly, he has suggested that the task and work of the Finance Commission should be taken over by the Planning Commission. And in the last debate two suggestions had emerged. One is that the task and the entire duty of the Finance Commission should be entrusted to the Planning Commission. And if at all the Finance Commission survives as it is, the second suggestion was that the period of the Five-Year Plan should become co-terminus with the period of the Finance Commission so that there is no contradiction when the planning takes place. That is another suggestion.

As far as my friend Kundu's suggestions are concerned, I may inform him that some of the States like Orissa which are having certain difficulties due to deficit and other financial constraints, I am already in touch with the Chief Ministers of various States and one of them in Biju Patnaik—how can I ignore him? It is very dangerous to do it. And therefore, we are already in touch with various Chief Ministers including the Chief Minister of West Bengal also (*Interruptions*). And therefore, we will try to assist the States as much possible due to the financial constraints that had developed. With this assurance I feel that all the Members will withdraw their amendments and allow the smooth passage of the two Bills for enactment.

MR. DEPUTY SPEAKER: First, we will take up the Union Duties of Excise (Distribution) Amendment Bill, 1990, for the vote of the House.

Are the Members ready to withdraw

their amendments moved to the motion for consideration?

SOME HON. MEMBERS: Yes, yes.

PROF. MADHU DANDAVATE: Sir, on their behalf, I request you to seek the pleasure of the House to withdraw their amendments.

MR. DEPUTY SPEAKER: Is it the pleasure of the House that the amendments moved by hon. Members be withdrawn?

SOME HON. MEMBERS: Yes.

*Amendments Nos. 1,2, 4 to 6 were, by  
leave, withdrawn*

MR. DEPUTY SPEAKER: I shall now put the motion for consideration to the vote of the House.

The question is:

"That the Bill further to amend the Union Duties of Excise (Distribution) Act, 1979, be taken into consideration."

*The motion was adopted*

MR. DEPUTY SPEAKER: The House will now take up clause-by-clause consideration of the Bill.

There are no amendments to clauses 2 and 3. The question is:

"That clauses 2 and 3 stand part of the Bill."

*The motion was adopted*

*Clauses 2 and 3 were added to the Bill*

MR. DEPUTY SPEAKER: The question is:

"That clause 1, the Enacting Formula and the long Title stand part of the Bill."

*The motion was adopted*

*Clause 1, the Enacting Formula and the long Title were added to the Bill*

PROF. MADHU DANDAVATE: Sir, I beg to move:

"That the Bill be passed."

MR. DEPUTY SPEAKER: The question is:

"That the Bill be passed."

*The motion was adopted*

19.54 hrs.

*Additional Duties of Excise regards of  
Special Importance Amendment Bill*

[English]

MR. DEPUTY SPEAKER: We will now take up Additional Duties of Excise (Goods of Special Importance) Amendment Bill 1990, for the vote of the House.

I hope that the Members who moved amendments to the motion for consideration, will now withdraw their amendments.

SOME HON. MEMBERS: Yes.

PROF. MADHU DANDAVATE: Sir, I repeat my request regarding the amendments to the motion for consideration.

MR. DEPUTY SPEAKER: Is it the pleasure of the House that all the amendments moved by hon. Members be withdrawn?

SOME HON. MEMBERS: Yes.

*Amendments Nos 1,2, 4 and 5 were, by  
leave, withdrawn*

MR. DEPUTY SPEAKER: I shall now put the motion for consideration to the vote of the House.

The questions is :

"That the Bill further to amend the Additional Duties of Excise (Goods of Special Importance) Act, 1957, be taken into consideration."

*The motion was adopted*

MR. DEPUTY SPEAKER: The House will now take up Clause by Clause consideration of the Bill.

The questions is:

"That Clauses 2 and 3 stand part of the Bill."

*The motion was adopted*

*Clauses 2 and 3 were added to the Bill*

MR. DEPUTY SPEAKER: The question is:

"That clause 1, the Enacting Formula and the Long title stand part of the Bill.

*The motion was adopted*

*Clause 1, the Enacting formula and the Long Title were added to the Bill*

PROF. MADHU DANDAVATE: Sir, I beg to move:

"That the Bill be passed."

MR. DEPUTY SPEAKER: The questions is:

"That the Bill passed."

*The motion was adopted*

19.56 hrs.

#### GOLD (CONTROL) REPEAL BILL

MR. DEPUTY SPEAKER: Now, we go to item no. 18, that is consideration and

passing of Gold (Control) Repeal Bill, 1990. The Minister may please say that the move the Bill for consideration.

[*Translation*]

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): Mr. Deputy Speaker, Sir many friends have expressed their views regarding the Gold Control Bill during discussion on Budget. We will consider them. This Bill is simply about repeal of the Act... (*Interruptions*)

[*English*]

I am not making my speech. I am only moving the Bill.

† beg to move:

"That the Bill to repeal the Gold (Control) Act, 1968, be taken into consideration."

MR. DEPUTY SPEAKER: Motion moved:

"That the Bill to repeal the Gold (Control) Act, 1968, be taken into consideration."

There are some amendments suggested by the Members. Are the Members interested in moving those amendments?

SHRI AJIT PANJA (Calcutta South East): Sir, the Government has to take certain follow-up actions. So, we want to make some submissions.

PROF. MADHU DANDAVATE: Sir, the Gold (Control) Act is there and we said that we would abolish that. Now, there is some sort of a vacuum. While presenting the Budget, I had already announced that we would abolish the Gold (Control) Act. If we do not do it, we cannot effectively implement it and as a result, inspectors and officers will continue to visit the small goldsmiths and unnecessary harassment will be caused. Therefore, in the first available opportunity,