

only 29.94 per cent which is less than the national average. Our State has therefore been declared by the Union Government as one of the 9 educationally backward States. The Union Government have also now started a new scheme called 'Operation Black Board' with a view to giving utmost importance to education. The implementation of school buildings programme will help improve and expand employment opportunities for rural landless and will result in creation of durable assets for strengthening the rural infrastructure in the field of education. The improvement in education will naturally provide a solid base for the socio-economic growth of the country. Keeping in view these aspects, Andhra Pradesh Government have proposed the taking up of construction of Secondary School buildings also under NREP and RLEGP and have requested the Union Government to include the construction of secondary school buildings also under the list of works to be taken up under NREP and RLEGP. I, therefore, request the Union Government to expedite a decision in the matter.

- (vii) Need to take steps to improve the production in Bharat Brakes and Valves Ltd, Calcutta

SHRI BASUDEB ACHARIA (Bankura) : I draw the attention of Government to the disturbing trend in the Bharat Brakes and Valves Ltd., Calcutta, a subsidiary of Burn Standard Co Ltd of Bharat Bhauri Udyog Nigam, Calcutta.

The problem facing BBVL is not one of lack of orders for its products nor relating to productivity or labour unrest, but due to inadequate supply of raw material required for its uninterrupted production.

The management instead of taking corrective steps like accepting the suggestions of the Joint Production Committee, implementation of technical collaboration in the field of manufacture of Valve Actuator entered into in 1981 is trying to throw the blame on workers for the present conditions. The management is suffering huge loss of valuable foreign exchange. For the last four years, no expansion or updating of technology has taken place to keep pace with the

current requirements. Coupled with these problems, huge default in paying sales tax has further aggravated the situation.

Moreover, the management is not settling the long pending charter of demands submitted in 1983 by the Union and the memorandum of understanding arrived at in 1984. Withholding of gratuity and non-payment of Provident fund have also created deep resentment among the workers.

I, therefore, urge upon the Government to settle these issues and take corrective steps to save this public sector unit.

12.15 hrs.

#### FINANCE BILL, 1988

[English]

MR. DEPUTY SPEAKER : The House will now take up the next item, 12 hours have been allotted for all the three stages of the Finance Bill, 1988, but some more time may be available. If the House agrees, we may have 11 hours for general discussion, 1 hour for Clause-by-Clause consideration and 1 hour for Third Reading.

Shri Narayan Datt Tiwari.

THE MINISTER OF FINANCE AND MINISTER OF COMMERCE (SHRI NARAYAN DATT TIWARI) : Sir, I beg to move :

"That the Bill to give effect to the financial proposals of the Central Government for the financial year, 1988-89, be taken into consideration."

The details of the proposals in the Finance Bill have been spelt out in the Explanatory Memorandum, which has been circulated along with the Budget papers. The important features of Budget proposals were also explained in the Budget Speech. I will not, therefore, take up the time of the House by going over the same ground.

I am most grateful to Hon. Members on both sides of the House for their valuable suggestions regarding the provisions of the Finance Bill during the general debate. I also had the good fortune of receiving suggestions from the Economists, Chartered Accountants, Taxation Experts and other knowledgeable persons. Personally, I feel gratified that the overall approach of the Budget and various proposals contained in it have received widespread support. Certain suggestions have also been received for modifications in the original Budget proposals. In response to these, I have decided to make certain amendments in the original Budget proposals.

In respect of Direct Taxes, I propose to make the following amendments :-

Hon. Members will recall that in the Budget, I had provided several incentives for export promotion. In order to give further boost to our export earnings, it has been decided that the new 'tax holiday' provision under Section 10-B for 100 per cent Export-Oriented Units will be made available for the full 5-year period to existing units which have already operated for a few years.

The complete tax exemption introduced through the proposed amendment to Section 80-HHC in respect of export profits was subject to the requirement of minimum tax contained in Section 115-J of the Income-tax Act, as far as corporate assessee are concerned. I propose to remove this restriction by a suitable amendment to Section 115-J. With this amendment, exporters can take full advantage of the 100 per cent tax exemption on export profits.

State Electricity Board and other companies engaged in generation or distribution of electric power will not be subject to the provisions of minimum tax contained in Section 115-J.

Separately, I also propose to reintroduce the Investment Allowance Scheme for selected priority industries in which investment has to be encouraged. This scheme will be available as an option in place of the Investment Deposit Account and the option once exercised by the assessee cannot be changed

for next five assessment years. The rate of investment allowance is proposed to be 20 per cent and the provisions are proposed to be similar to the earlier investment allowance scheme. The list of eligible industries and other details will be announced separately.

I also propose to take certain measures for encouragement of tourism which is a major foreign exchange earner for the country and the tourism industry also provides employment in substantial numbers. It is proposed that the benefits of Section 80 HHC, hitherto available for merchandise exports, will also be extended to hotels and tour operators. This scheme will be operated broadly on the same lines as the prevailing scheme for exporters with one modification in order to ensure that the tax-benefit is substantially re-invested in tourism-related activities like hotels, travel agencies, tour operators, tourist equipment, etc. Fifty per cent of the income attributable to the foreign exchange earnings of hotels, etc., will be allowed as a deduction straightway. For the remaining 50 per cent, the benefit of tax exemption will be available to the extent the income is taken to a reserve for reinvestment in tourism industry. It is also proposed that benefit of Section 80 CC in respect of investment in new equity will also be available for new capital issues of hotel industry and other specified tourism related activities. The details will be announced separately.

It is also proposed to increase the rate of interest subsidy for one, two and three-star hotels to three per cent from the present rate of one per cent.

Necessary legislation to give effect to various new measures announced by me will be introduced shortly.

As Hon. Members are aware, a new Section 44AC was proposed to be inserted in the Income-tax Act to combat large scale tax evasion by persons doing business of sale of alcoholic liquor, forest produce, etc. Taking into account the difficulties pointed out in several representations received, it is now proposed to amend this Clause in the Finance Bill to provide substantially lower rates for determination of income from the business of trading in these goods.

These rates have now been reduced to 40 per cent in the case of alcoholic liquor, 35 per cent in the case of timber obtained under a lease contract, 15 per cent in the case of timber obtained other than under a lease contract, and 35 per cent in the case of all other forest produce. The proposal to determine the income from business of trading in scrap or waste at a flat rate of 60 per cent of the purchase price is being withdrawn. In view of the varying rates of profits, the rates of tax to be collected at source have also been suitably changed.

The Bill proposed to limit the exemption from wealth tax on investment made in certain public sector bonds to Rs. 5 lakhs. This proposal was made as a measure of rationalisation. Since it is not the intention of the Government to take away the existing benefit in this regard, it is proposed to carry out necessary amendment to provide that the limit for exemption from wealth-tax will apply only in respect of bonds sold by public sector companies on or after 1st June, 1988.

Hon. Members will recall that in my Budget speech, I had announced that some of the provisions incorporated by the Direct Tax Laws (Amendment) Act, 1987, are being reviewed. These include the provisions relating to the partnership firms. Subsequently, my colleague Shri Panja had made an announcement in this House on the 30th March last that the new provisions relating to partnership firms will come into operation from the assessment year 1990-91. Accordingly, provisions have been made in the Bill to secure that both registered and unregistered firms will pay their advance tax during the current financial year at progressive rates. The rates will be the same as the rates in the last year. However, as in the case of other taxpayers, all firms having income exceeding fifty thousand rupees will also be paying surcharge at the rate of five per cent of the tax.

The Bill seeks to provide that the benefit of carry-forward and set-off of past years' business losses shall not be given to a closely-held company in the event of change in the shareholding effecting a change in the voting power by 51 per cent or more. Representations have been received that such a provision is likely to cause hardship in

cases where the change in the shareholding has taken place purely on account of bonafide reasons such as on account of death of a shareholder or gift to relatives and not with an intention of tax avoidance. Since it is not the intention of the Government to deny the carry-forward of loss in such genuine cases, it is proposed to amend this provision to secure that the carry forward and set-off of past years' losses shall not be denied to a closely-held company where a change in the shareholding resulting in a change in voting power to the extent of 51 per cent or more has taken place in the event of death of a shareholder or gift of shares made by a shareholder to his relatives.

The other amendments relating to Direct Taxes are purely of consequential or clarificatory nature and I would not like to take to the time of the House in dealing with them.

I have proposed certain amendments in the Finance Bill in the portion relating to Indirect Taxes which are purely of consequential nature or in the nature or in the nature of enabling provisions and do not involve major revenue implications.

The other changes in respect of Indirect Taxes are as follows :

- (1) To ensure availability of wool at reasonable prices to the carpet industry, I am reducing the import duty on raw wool of 36 microns and above from 25 per cent to 5 per cent on hard-woven carpet. The exemption would be subject to imports being made by a canalising agency.
- (2) In my Budget proposals, I had proposed full rebate of excise duty in respect of Tea exported directly from factories. As a further liberalisation of this measure, I propose to provide for full rebate of excise duty for export of Tea in all cases.
- (3) In the Budget, the excise duty on audio magnetic tapes was increased to Rs. 4 per square metre. As a

measure of relief to this industry, I now propose to reduce the rate to Rs. 2 per square metre.

- (4) The import duty (basic+auxiliary) on styrene monomer, a raw material used in the manufacture of plastics and rubber is being reduced from 65 per cent + Rs. 1700 per tonne to 30 per cent + Rs. 1700 per tonne.
- (5) I had announced certain reliefs for the plastic woven sacks industry in the Budget. To assist this industry further, I propose to reduce the basic excise duty on plastic woven sacks manufactured on circular looms from 12 per cent to 8 per cent. I also propose to reduce the basic excise duty on fabrics laminated with Low Density Polyethylene from 15 per cent to 5 per cent *ad-valorem*.
- (6) In the Budget, aluminium extrusions and tubes of aluminium used in the manufacture of artificial limbs were completely exempted from excise duty. As a further measure of relief to the physically handicapped persons, it is proposed to fully exempt extrusions and tubes of aluminium used in the manufacture of 11 specified rehabilitation aids.
- (7) The import duty on outboard motors is proposed to be reduced from the existing level to 25 per cent when such motors are imported by State Fisheries Corporation.
- (8) A number of concessions for health and medicare were announced in the Budget. As a further step in that direction, I propose to fully exempt from customs duty 32 "sight-saving" equipments. Besides, 17 specified Ophthalmic equipments would carry a concessional rate of import duty of 40 per cent. Spare parts and accessories of such equipments would also get the benefit of the concessional rates.
- (9) It is proposed to fully exempt computer soft-ware from excise duty.

- (10) In the Budget, as an anti-drought measure, I had proposed full exemption from excise duty on Electric Motors used in Mono Block Pump Sets and Submersible Pump Sets. As a further extension of this concession, I propose to exempt parts of heading No. 85.03 of the Central Excise Tariff suitable for use solely or principally with electric motors which are in turn used in the manufacture of submersible pump sets or monoblock pump sets.

The total impact of these concessions and reliefs aggregate to Rs. 12.8 crores on the customs side and Rs. 26.5 crores on the excise side.

Certain other changes are also proposed to be made which are in the nature of corrective measures. I would not like to take up the time of the Hon'ble Members over the details of such measures. In respect of some of the changes proposed, notifications giving effect to the changes, have already been issued. In respect of other changes, notifications for giving effect to the proposed changes, wherever necessary, would be issued and laid on the Table of the House in due course.

Mr. Deputy Speaker, in consonance with our policy of generating more employment throughout the country, the Government will be announcing a package of measures for encouraging industrialisation of backward areas. Meanwhile, I am happy to announce that the subsidy scheme for backward areas will continue for another six months.

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

Sir, I move the Bill.

MR. DEPUTY SPEAKER : Motion moved :

"That the Bill to give effect to the financial proposals of the Central Government for the financial year

1988-89, be taken into consideration.”

Mr. Murli Deora to speak. Before the Hon. Member starts, Mr. Vakkom Purushothaman to lay a Report.

12.31 hrs.

COMMITTEE ON PUBLIC  
UNDERTAKINGS

[English]

*Forty-fourth Report and Minutes*

SHRI VAKKOM PURUSHOTHAMAN (Alleppey): I beg to present the Forty-fourth Report (Hindi and English versions) of the Committee on Public Undertakings on Shipping Corporation of India Limited and Minutes of the Committee relating thereto.

12.31½ hrs.

FINANCE BILL, 1988—CONTD.

SHRI MURLI DEORA (Bombay South): Mr. Deputy Speaker Sir, I rise to support the Finance Bill proposed by the Hon. Finance Minister, Mr. Tiwari.

The year which has just gone was a very difficult year for the Indian economy. Specially due to very severe drought, the food production of our country has gone down considerably in the last two years. Hence, it was very wise to give a massive boost to the agricultural production and some of the measures like ensuring larger credit, reducing fertilizer and pesticides cost, encouraging irrigation through duty reduction on electric motors and pumpsets etc., providing pumpsets at a nominal leasing and rental charge etc., will help the farmers to grow more at a lesser cost.

The Hon. Minister just now said about the direct taxes Bill. When the Hon. Minister came to Bombay, a lot of people had represented to him regarding some anomalies

or some problems that tax payers are facing. I must congratulate Mr. Tiwari when he said in the budget speech itself that looking to the public opinion we will not make it a prres-tise issue; in case there is a need to withdraw some of the provisions, we will do it. just now Mr. Tiwari said that the article regarding partnership act will not be implemented this year; but it will be postponed for the next year. I don't know why does he want to do this. If the Government is convinced that tax on the partnership firms is not good In the interest of the partnerswou withdraw it postpone it? Why don't you withdraw it totally? This is one point where a large number of people are expressing their concern. The partnership firms—small, medium and big—are there in our country all over. I do'thnk even though you realised it...

SHRI NARAYAN DATT TIWARI: As a matter of clarification I may say that I had already said in my budget speech that we will be proposing a new bill. So this is a temporary transitional period. It will be as it was last year and the tax assessment would be as it was in the earlier times.

SHRI MURLI DEORA: Why to have a sword hanging? You know that you are withdrawing this. Just now you have said it will be postponed for the next year.

SHRI NARAYAN DATT TIWARI: The Amendment Bill is coming.

SHRI MURLI DEORA: So you have given a categorical assurance that the next year; it will not be there at all. Just now you have said that

Anyway I must congratulate you and thank you for that.

The most distressing feature of the Economic Survey presented this year—I would like to read out one small paragraph—is regarding the employment in the organised sector. It is in Page 41 in the Economic Survey.

“This is the first time it shows that the employment in our country in organised sector has gone down by 1.2 per cent. This is a most alarming situation.”