

MR. CHAIRMAN : The question is :

“That Clause 1, Enacting Formula, and Title stand part of the Bill.”

The motion was adopted.

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

SHRI JANARDHANA POOJARY : I beg to move :

“That the Bill be passed.”

MR. CHAIRMAN : The question is :

“That the Bill be passed.”

The motion was adopted.

15.28 hrs,

CUSTOMS TARIFF (AMENDMENT)
BILL, 1986

[English]

THE MINISTER OF STATE IN THE
MINISTRY OF FINANCE (SHRI
JANARDHANA POOJARY) : I beg to
move :*

“That the Bill further to amend the
Customs Tariff Act, 1975, be taken
into consideration.”

Hon'ble Members of Parliament would recall that the First Schedule to the Customs Tariff Act, 1975 was substituted by a new Schedule based on the International Convention on the Harmonised Commodity Description and Coding System to bring about an internationally accepted system of Nomenclature (Harmonised System) through the Customs Tariff (Amendment) Act, 1985 which came into force on 28.2.1986. The Harmonised system provides a simple, precise and objective classification system.

Subsequent to the adoption of the aforementioned Convention, the Interim Harmonised System Committee in Brussels had finalised certain editorial-amendments to the Harmonised System mainly in the nature of verbal corrections. These amendments do not bring about any material change in the scope of legal headings in the Nomenclature. These changes are proposed to be incorporated in the First Schedule to the Customs Tariff Act through the proposed Bill.

The Bill also contains, as a measure of protection to domestic industry, proposals to raise the tariff rates of basic customs duties in respect of caustic soda in solid form to 200 per cent plus Rs. 1500 per tonne and on certain types of narrow woven fabrics to 300 per cent ad valorem. The effective rates of duties would be fixed through exemption notifications.

Sir, I move that this Bill may be taken for consideration.

MR. CHAIRMAN : Motion moved :

“That the Bill further to amend the
Customs Tariff Act, 1975, be taken
into consideration.”

Shri B. B. Ramaiah.

SHRI B. B. RAMAIAH (Eluru) : The Customs Tariff (Amendment) Bill 1986 which the hon. Minister has put up to the House is for harmonisation of the international rules and regulations. They have followed to some extent. But they have made some deviation in its effectiveness in different ways, wherever it is convenient to them from their point of view. Here I would like to say about the view points. The Tariff system which we are adopting is mainly intended to give protection to the development of this country. For example take the agricultural commodities. We are still importing huge quantities of edible oils when we can produce them in our country. If the tariff system works properly, it gives enough remunerative prices to the agriculturists in this country, which would have saved a lot of foreign exchange. The same thing happens to the exports of agri-

*Moved with recommendation of the President.

cultural commodities. After taking edible oil from the rice bran plant, de-oiled bran and also the cotton seed cake and other type of cakes, if you give proper support and incentive for export, our agricultural commodities will be protected. Tariff subsidy should also be given to those items. Take, for example, the engineering industry. We used to export a lot of items of the engineering industry. Earlier, our steel prices were the lowest in the world. Today ours is the highest in the world. That means, we require a lot of additional support for export of engineering items. Otherwise we lose the international market and it affects the Indian industry.

The main purpose of this tariff system is to give production to our industry and agriculture in this country. Some of the items like aspirin and other chemicals are being dumped into the country by China and other countries. These countries only want to dump those commodities and kill on country's production. So, unless you give substantial protection to these items, it will be very difficult for this industry to survive.

Regarding the caustic soda, the Gulf countries are mainly producing hydrochloric acid used for desalining of water, and caustic soda is a by product and they are prepared to sell it in the international market at a very low price and the price which they are offering is not even half the price of cost of power. That is why your proposal for protection is very essential and important.

There is a lot of smuggling of items into this country. The customs people take a lot of time for disposing of these items. They do not have proper storage facilities for those items and that is why the prices will come down by the time they want to dispose them of. If they dispose them of quickly, they would get proper prices for them. Some of the items which are not available in the Government stores, the same items are available outside at unreasonable prices through some elements, but this should be avoided. I hope the Government will take proper action in respect of items which affect our Indian production,

The smuggled items are also one of the basic items about which Government requires streamlining of the Excise Department and they should be able to have frequent checks so that loss of revenue can be avoided. You take even the electronic industry today. We are having some sort of a liberalised policy for particular items that affect our own production. We are not able to compete with the imported items. So, they should be able to give proper protection against the import of foreign goods. On the question of import of items which are not available in this country for the projects the tariff value for products has gone up by 55 per cent, but this should be reduced in order to see that our cost of production is not high, so that we would be able to produce economically in this country. In this regard I would suggest to the Finance Minister to increase the production in this country by liberalising the policy, at the same time by giving protection against imported goods so that the liberalised policy will give reasonable prices of the products to the people. Now, Government's policy is to liberalise it within the country for manufacturing various goods, but at the same time protection from outside it essential wherever it is required so that the customer will get the goods at reasonable prices.

I hope the Minister will take all these things into consideration. Thank you very much for giving me this opportunity.

SHRI V. S. KRISHNA IYER
(Bangalore South) : Mr. Chairperson, Sir, I don't see any reason to oppose this Bill. We have accepted the International Convention on the Harmonised Commodity Description and Coding System. During the last session, we have accepted this unanimously. Of course, there is not much to say, only on one or two points, I would like to draw the attention of the hon. Minister now.

The customs revenue is the *Kamadhenu* of the Central Government. Out of Rs. 30,000 and odd crores of estimated Revenue budget, about Rs. 11,000 crores are expected from the customs alone. Out of this, nearly 98% is expected to come from customs on imported goods. I would like

[Shri V. S. Krishna Iyer]

to support what the hon. Member just now said. There have been improvements in the collection after the introduction of the Harmonised System and also rationalisation of customs tariff. But I would suggest to the hon. Minister on the question of liberalisation of import licences. Though I do not completely agree with that, because our aim must be self-reliance, as we have now liberalised certain imports I would suggest that the Government should give concession to import of certain articles of mass consumption which are absolutely necessary for our country. For example, there are life-saving drugs, educational apparatus and equipments connected with it, medical equipments and instruments connected with the medical treatment etc. On such articles, you must give liberal concession, if not full exemption of import duty. It is because you are earning a lot of revenue on other goods. Therefore, I am sure that the hon. Minister will consider this question and will agree to it. I am sure the hon. Minister will agree with me that if they only further tighten up the collection of customs, there is no need to enhance the duty of any item, including the proposed enhancement of tariff on caustic soda which is not necessary. There was no need for it. The only thing is, please see that the collection of revenue is tightened up.

With all the measures taken by the Government, I am sorry to say that smuggling of good is going on unabated. By all means, it should be stopped. It is really such a thing that we should bend our head in shame, since the smuggling activities are going on and people are encouraging them. In port towns, particularly in cities like Bombay, Madras, Calcutta etc. openly, the smuggled goods are being sold. Even in Delhi, I am sorry to say, that even in my constituency, Bangalore city, smuggling of goods is going on openly and is sold in bazars called Burma bazar, China b. zar etc. They sell openly not only smuggled cosmetics or fountain-pens but watches, even big articles like colour TVs, VCRs, transistor, electronics goods etc. These items are liberally sold in contrabad bazars. Everybody knows it. The State Government knows it. The Central Government knows

it. One fine day they go and raid all these shops and close them. But the next day, again they will come up. It is going on like this.

PROF. N G. RANGA (Guntur) : . It is a decentralised disease.

SHRI V. S. KRISHNA IYER : Action should be taken by the Government in order to see that people do not evade paying customs duty, and trade in smuggled goods is stopped immediately. What action have you taken in this regard? Certainly, you have improved the collections of customs duty. Even during this year, it is expected there will be extra Rs. 700 crores or Rs. 800 crores out of customs along. It is true. But what about the increase in the activities of smuggled goods? More than the loss of revenue, what would be the moral effect on our country? You see, even ladies take pride to go to the bazars and purchase smuggled cosmetics and other smuggled goods. Everybody knows it. It has become a fashion to sell and buy smuggled goods. That is what I find. Therefore, it must be stopped. I request the hon. Minister to give strict instructions to the Customs Department and see that these bazars—wherever they are—are immediately closed. Please take the help of the State Government also in tackling this menace and in closing these bazars. It is a shame to our country.

So far as the clauses in the Bill are concerned they are brought forward as a result of consequential change. There is not much in this Bill. I do support this. But I will take only one more minute. In the year 1975-76, the revenue of the Government by way of customs was Rs. 1490 crores. Now, it is nearly Rs. 11,000 crores. I think, no other source of revenue has made so much jump as the customs. You are really getting very good revenue from customs. Therefore, if you tighten up the collection system. I am sure, there is no need for the Government to levy any extra tariff on the goods. There is no need for you to raise the tariff on postal articles. There is no need for you to raise the tariff on railway freight. You please see that the existing laws are lightened and realise the revenue.

I expect that the hon. Minister would take immediate steps in this connection.

With these words, I support the Bill.

[*Translation*]

SHRI GIRDHARI LAL VYAS (Bhilwara) : Mr. Chairman, Sir, I support the Customs Tariff (Amendment) Bill, 1986. This Bill has been brought with a view to amend the First Schedule to the Customs Tariff Act, 1975.

[*English*]

“The First Schedule to the Customs Tariff Act, 1975 (51 of 1975), is based broadly on the system of classification derived from the International Convention on the Harmonised Commodity Description and Coding System”.

[*Translation*]

Now you have tried to codify it according to the Harmonised Coding System under the International Convention. In this connection I would like to request that the articles on which you have given concession are not much in demand here. Therefore, to give concessions on these articles is not proper. The Country is already suffering a lot due to them. With your provision of liberalised import, our local industry has received a jolt. Now you should try to keep liberalisation scheme under control so that the liberalised import policy is made available only for the articles which we need but the articles which we do not need and which can be manufactured indigenously should not be brought under the liberalisation scheme. Because of the wrong policy, our Indian industry has suffered a setback and it is not advancing the way it should have. We are importing the same articles under the liberalisation scheme under this tariff for which we are providing protection as well in our country. It is also causing huge losses to our industries. This needs to be taken care of. You must have observed that from the time liberalised policy has been announced, the big capitalists have been benefitting from it. The old and obsolete machines which had no buyers in

the foreign markets are being imported in this country by manipulating loans from the banks or financial institutions. These condemned machines are of no use in our country. I want to give you an example in this connection. In Beawar a cement factory was set up recently for which inferior quality machines were imported and installed there in collaboration with some foreign country, though indigenously made machines were available here. For these second-hand machines full money was realised from the Government and at the same time full advantage of your policy was taken from the Customs. These big industrialists always resort to such tactics and your attention has not been drawn to them. This is also causing huge losses to the country and there is need to keep strict vigil over this.

Just now an hon. Member was saying that one reason for large scale foreign goods smuggling is that the rates of the articles sold by the Customs are more than the smuggled goods with the result that people take undue advantage by smuggling the goods. Besides, all your Customs Officers in Madras, Calcutta and Bombay also sell the smuggled goods. All the expensive articles seized by the Customs are either distributed among the Customs Officers and the staff or are sold by them to those who are in collusion with them. When some people are already engaged in selling quality smuggled goods, how can then your scheme of selling the smuggled goods in open be successful? Now perhaps they will start benefitting more by your new scheme. Therefore, some definite arrangement should be made in this regard. You must have gone to Calcutta, Madras and Bombay and you must have observed there what type of articles are sold by them. Then why do you not make arrangement to stop selling of such articles and why is it so that the articles once seized reach the market again for selling? Why the Government is unable to stop these things? This is resulting in huge losses to the Customs Department as the smuggled goods are being sold in the market openly.

The Finance Minister may be knowing that the biggest enemies of the country are the smugglers, whether they are from

[Shri Girdhari Lal Vyas]

Punjab, Kashmir, Rajasthan or from the neighbouring country Bangladesh. These anti-social elements are responsible for the disruptive activities. All the disruptive activities in Punjab are being financed by these smugglers. Unless you control this evil fully, this problem will continue and it will become difficult to check it later on. Therefore, action should be taken to check it. There are persons who are known smugglers and the Government of India and the State Governments is well aware of this. These people live a life of luxury like Rajahs and Maharajahs. No action is taken against them. Rather they lead a majestic life and they have set up their own empires and the Government feels helpless in taking action against them. Why is it so? Why all the local officials and police personnel are under their influence? Is it not that because those people grease, the palms of the police officials that no action is taken against them? I, therefore, demand that to increase the revenue and to sustain the internal security of the country and to make the country self-reliant, you will have to check all these inlawful activities. Only then the system will become functional.

Mr. Chairman, Sir, I do not say that you are not taking action. You are trying to do something. The way the hon. Finance Minister has tried to arrange raids on big capitalists shows that the will is there but you are doing it half-heartedly. I want that you should take this action with all the mite and courage you have at your command.

Mr. Chairman, Sir, it might have come to the notice of the hon. Finance Minister that recently cases of under-invoicing have been detected. The money received from the sale of articles in foreign markets is also deposited in the foreign banks. In this way big traders and businessmen are indulging in fraudulent activities and playing havoc with the economy. On the one hand they have deposited hundreds of crores of rupees in the foreign banks and on the other hand they are throwing dust in the eyes of the Government resulting in loss to the country. Therefore,

I appeal to the hon. Minister that he should take action against such people with an iron hand to prevent the money belonging to this country being deposited in foreign countries. I want to ask the hon. Minister whether he will take such action and teach them a lesson so that they are not able to deceive this country? If the hon. Minister takes such a step, it will result in augmentation of the income of the country and the Customs Department.

With these words I support the Bill and romml my seat.

[English]

SHRI JANARDHAN POOJARY : I am grateful to the hon. Members for giving their support to this Bill. It is a very simple Bill and we are making a change in the nomenclature. It does not relate to any tariff or our import policy. But in the Bill we have made some provisions for increasing the duty on particular items, and we have done it in the interest of the domestic industry and to protect it. I can tell the hon. Members, as regards the caustic soda duty, there was a demand from the industry that the domestic industry should be protected. That is why it has been done.

Hon. Member Shri V.S. Krishna Iyer made a point that we should be firm and we should take action against smugglers; he also said that some smugglers were carrying on with their business even after action was taken. Here I may say that it is a continuous process. These people, particularly the persons who are indulging in smuggling activities are habitual criminals. Here we have taken stern action in some cases. Under COFEPOSA we have put 619 persons under detention. In respect of seizures also, we have created history. In fact, never before in the history of this country has action under smuggling and seizures reached such figures. In the year 1985, we crossed the figure of Rs. 195 crores and for the nine months this year we have already reached the figure of Rs. 165 crores. I fully agree with the hon. Member Shri Krishna Iyer and also hon. Member Shri Vyas when

they said that we should deal firmly with these people. We have intensified our drive against the smugglers. They will not be spared.

Hon. Member Shri Krishna Iyer referred also to Burma Bazaar of Madras. There also we have taken action against these people. Some of our officers had been assaulted and attacked by some of the smugglers, but there also with the help of the State Government, those smugglers have been dealt with severely.

I assure the hon. Members that we will take action against the smugglers. The measure of reward has also been introduced, and because of this measure, we have been able to apprehend a greater number of smugglers. Also, as I stated earlier, we have waged a war against black money and also tax-evaders and duty-evaders. Here also our figures would go to show how effective the Government has been. In the year 1985, the number of cases detected was 7,402 and the estimated evasion of duty in those cases was Rs. 340.83 crores. In the year 1986, upto September, we have detected 5,081 cases of tax-evasion; here, the amount that is involved is Rs. 425.75 crores. We have launched prosecution against 146 people. So far, in the year 1986, we have secured conviction in 14 cases. As hon. Members know, in these cases we have been very firm and we have told our prosecuting agencies also that they should be efficient in prosecuting the culprits and also the accused in those cases.

SHRI GIRDHARI LAL VYAS : Out of one thousand offenders you have only prosecuted 149 people.

SHRI JANARDHANA POOJARY : When the tax evasions are there, in all the cases prosecutions are not done and in some cases departmental adjudication is there.

MR. CHAIRMAN : Penalties.

SHRI JANARDHANA POOJARY : And penalties are imposed. I have stated in my reply to the earlier Bill as to what

measures and steps we have taken to collect revenues.

In these circumstances, I submit that I am grateful to the Hon. Members for the support for this Bill. I commend it for consideration.

15.56 hrs.

[MR. SPEAKER *in the Chair*]

MR. SPEAKER : The question is :

“That the Bill further to amend the Customs Tariff Act, 1975, be taken into consideration”

The motion was adopted

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

“That Clause 2 stand part of the Bill”

The Motion was adopted.

Clause 2 was added to the Bill.

MR. SPEAKER : The question is :

“That Clause 1, Enacting Formula and the Title stand part of the Bill”

The Motion was adopted.

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

SHRI JANARDHANA POOJARY : I beg to move :

“That the Bill be passed”.

MR. SPEAKER : The question is :

“That the Bill be passed”.

The motion was adopted.