

Clause 2

MR. CHAIRMAN : There is an amendment given notice of by Shri R.P. Das. He is not present in the House. So, I shall now put Clause-2 to the vote of the House.

The question is :

"That Clause-2 stand part of the Bill"

The motion was adopted

Clause-2 was added to the Bill

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

THE MINISTER OF LAW AND JUSTICE (SHRI A.K. SEN) : Sir, I beg to move :

"That the Bill be passed"

MR. CHAIRMAN : The question is :

"That the Bill be passed"

The motion was adopted

17.03 hrs.

DISCUSSION RE : REPORT OF NATIONAL INSTITUTE OF PUBLIC FINANCE AND POLICY ON "ASPECTS OF BLACK ECONOMY IN INDIA".

[English]

MR. CHAIRMAN : Now we shall take up discussion under Rule 193. Smt. Geeta Mukherjee.

SHRIMATI GEETA MUKHERJEE (Panskura) : Sir, the report of the National Institute of Public Finance and Policy on aspects of black money in India, which was presented by our hon. Finance Mini-

ster the other day can truly be called in colloquial Bengali :

Parbater Museek Prasab

That means "mountain producing mice". But there is a trouble here. The mice produced by the NIPEP in the shape of some of its recommendations seem to be carrying plague germs and if accepted, many of these may contaminate the national economy with plague. So beware.

Sir, I am sure, the report has gladdened the hearts of the big businessmen and the rich in general—urban and rural.

17.04 hrs.

[SHRIMATI BASAVA RAJESWARI
in the Chair]

As far as the estimate of black money given in the report is concerned, it says that the tax evaded income in 1975-76 was between Rs. 9,950 crores to Rs. 11,870 crores. It comes to 15 to 18 per cent of the GDP. In 1983-84 it is Rs. 31,584 to Rs. 36,876 crores which is 18 to 21 per cent of the GDP. This relates only to a part of the black income, that is, only the tax evaded in legal income but the black wealth is yet outside this calculation.

As far as this estimation of the black money is concerned the Report itself says :

"As the enterprise of estimating the size of unaccounted money is still in its infancy, the authors admit that their results are based on numerous assumptions and approximations each of which could be challenged."

If this is the situation then I do not understand why this big exercise for all these three years. Even then many of the celebrated economists have expressed this view that even though this one part of the thing has been taken up, that is also seriously under-estimated. Corporate sector incomes are not included in it giving an explanation that they will enter into the household incomes. I feel strongly that it

should have been definitely studied seriously in all its spheres.

I would like to point out that not only this thing is grossly under-estimated but this has also not been taken into consideration. The black-money that arises out of other illegal activities including perhaps kick-backs, commissions, etc. in the opinion of the Report cannot be estimated even roughly. But without being an economist from commonsense if one can understand, which is easily possible, that this part, namely, illegal income which is black initially is larger than the other part which is legally earned income which becomes black through tax evasion. Therefore, I think, the estimate of those economists who have said that this is grossly under-estimated is substantiated.

The Report gives the causes—the villains of the piece. The causes for black money according to the Report are : (1) Present structure of taxation being too high ; (2) The economic controls are one of the big evils ; (3) The strident Government spending seems to be a bigger evil. Of course, they have said about moral standards, inflation, weak deterrence etc. to which I am not referring now because of paucity of time.

I would like to comment that the sectors generating black income are : real estate transactions, large-scale manufacturing, film industry, construction, smuggling, etc. as given in the Report. These are the principal sources of black-money and often in our day to day life we come into contact with these things. From our own experience we know these are the well known sources. There is nothing new in it.

The most important part of this Report relates to the recommendations and I want to straightaway refer to these recommendations because I have initially said that many of these carry the germs of plague. Madam, the Government announced one pack of recommendations. What are those recommendations? They are : reduction of tax on company profits, on personal income-tax, wealth-tax etc. Of course, the

Minister has already done away with the wealth tax, not fully but practically, I would say. Then reduction on stamp duties and estate duty has been done away with. So, there is a reduction on many direct taxes including income-tax. It is said that this incidence of high rates of taxation stimulates evasion. So, the logic is simple. If evasion comes from the high rate of taxation, then suggest lower rate of taxation. As I said, these recommendations have gladdened the heart of the big businessman and I have also seen that the hon. Minister is quite enamoured with these recommendations. But in reality, he must have fallen in line with the I.M.F. recommendations as our Government, on certain things, have already been following them. But let us examine the logic whether this high tax rates have direct bearing on the tax evasion. I would like to know whether the percentage of black income to G.D.P. increased from 15-18 to 18-21 per cent from 1975-76 to 1983-84 according to this very report. Is it not a fact that in this very period there were a number of tax reductions that took place and that a number of relaxation on controls also were given? I will come to the question of controls later on.

Why did that not slow down the pace of generation of black money?

PROF. N.G. RANGA : Therefore, your economic activity is greater.

SHRIMATI GEETA MUKHERJEE : Is anything found out for absolving the rich or the monopoly of the big businessmen. The rise in the tax rate stimulates the propensity to evade, but a fall from high level may not produce opposite effect, particularly when the return from evasion still remains much higher than the return from legitimate business. The big operators will definitely manage the situation in their favour with their added money power. If you reduce the rate of taxation, then they will have to pay less tax and if you remove it altogether then they will have to pay nothing. So, the public coffer will lose and they will be the gainers. So, I consider this recommendation to be rather retrigrade.

[Shrimati Geeta Mukherjee]

Another recommendation is the reduction in stamp duty of real estate transactions. That will release more money for fraudulent transactions. That is common sense idea. Now, the recommendations for so-called prevention of smuggling are : cut in excise and customs duties, with considerable demand, reduction of import duties, suitable adjustment in exchange value of rupee, in other words devaluation, etc.

Let us look at the implications of this. Do you have any such experience in the past that by reduction of excise duty, the black money lessened ? Companies do not report their output or sales correctly. How many times have the Government regularised the production over licenced capacity of many monopoly concerns and others ? With less excise duty will they race for correct reporting of their output and sales ? The experience says 'No'.

Import relaxation for goods of considerable demand which are obviously used by the affluent section will only benefit them. Who else will use electronic goods, man-made fibre, sophisticated watches, etc. ? It is only the affluent section and not the poor section. If you really relax the conditions for import of these goods, what will be the result ? That will deal a severe blow to some of the import substitution industries, which were nursed earlier with the national objective, and that will deal a severe blow to the indigenous textile, electronic goods industries etc. Moreover, there will be surely an increase in conspicuous consumption of these goods, which in itself is a big way of spending black money. It will also have a serious adverse effect on the country's balance of payment situation.

The other recommendation is about devaluation of rupee for stopping smuggling, as if disastrous experience of one devaluation has not taught us any lesson. I do not think that devaluation of rupee is the solution. In any case, at the moment, the floating exchange rate system of the rupee is there ; the rupee has been in

reality substantially devalued. May I know what has been our experience in this period ? Has it stopped smuggling or increased smuggling ? It has increased smuggling. How will this improve the situation ? In fact, these are some of the measures which are intended to legalise smuggling and give free reign to conspicuous consumption of luxury goods and jeopardise national interest.

Yet, there is another pack of recommendations for removing controls ; price control and even rent control. It is interesting that in suggesting this 'remedial measure', the NIPFP report has contradicted even its own study. While studying sugar industry, the report itself referred to :

"...the absence of any clearcut relationship between the time profile of sugar output evasion and the varying extent of control over sugar price and marketing."

If there was no such relation established, how come it may that from studying that very industry, they gave the recommendation of lifting controls ? In fact, the highest amount of output suppression in sugar industry occurred precisely during the years of decontrol. It is a well known fact.

If anything, this actually strengthens the case for nationalisation of sugar industry and not lifting of control. But the authors of this recommendation in their zeal to provide succour to the private sector have recommended relaxation of control. What brilliant objectivity indeed ! Why are economic controls necessary ? They are necessary in the interest of socially desired allocation of scarce resources and in the interest of the masses in low income groups. Large scale de-control will open the door for various degrees of monopoly in the market and give free play to profiteers and it will throw the poverty-stricken masses at their mercy. That will be the result. Streamlining of control administration is, of course, necessary. But is throwing the baby away with the bath water the remedy ?

Now regarding rent control, I request the hon. Minister through you to go to the middle-class and poor people in the city and ask them about this recommendation. Not that I want it, but I am sure that he will be greeted with broom-sticks in their hands,

Another most important recommendation is to decrease "strident public spending", as this is the villain of the piece, causing corruption. Nobody denies that in various spheres of governmental spending, there is a lot of corruption. Of course, that does not speak very well of the Government, but that is not my point at the moment. But, may I know whether replacing public spending by private spending would improve the situation? Is not the private sector the biggest agency in bringing corruption to public expenditure?

SHRI INDRAJIT GUPTA : He is boosting the private sector.

SHRIMATI GEETA MUKHERJEE : Oh yes. I will come to that. That is why he has liked that Report.

THE MINISTER OF FINANCE AND COMMERCE (SHRI VISHWANATH PRATAP SINGH) : That Report is an Institute's report and it is not a Government report. We have not taken any decision thereon and to impute it is a Government's recommendation is not correct.

SHRI INDRAJIT GUPTA : You have implemented all their recommendations by liberalisation. You cannot have it both ways Sir. He says that it is not a Government's report and he has already implemented all the recommendations.

SHRIMATI GEETA MUKHERJEE : And the author is the Economic Adviser to the Government.

As I was saying, is not the private sector the biggest agency in bringing corruption to public expenditure? Sir, just let us recall the reports of Vivian Bose Commission, the Mundhra Deal Inquiry Report and the Report of the Monopoly Inquiry Commis-

sion once again to recollect the experience of the nefarious role of the business class in corrupting public life. Any report dealing with black money or black income should really pay attention to this aspect, when public expenditure has been decried so much. But this report has not thought it necessary. What will be the implication of reducing the public expenditure? It will ultimately lead to more cut in planned expenditure, cut in expenditure for expansion of public sector, cut in the programmes for poverty alleviation, cut in supplying drinking water and many other such things. Now who will benefit from that? If black income can be estimated as a certain proportion of public expenditure, it is doubly necessary to make an estimate of the size of the black money as a proportion of the private turn over. It is very strange that it has not been done. Now, a pertinent question arises. Why did not the authors study the trade, particularly the foreign trade with all its under and over invoicing for black money? Instead, the most interesting thing is that they have in their recommendations suggested import relaxation. Here again, this import relaxation, as you would all agree, would be dangerous for proper development of our national economy.

So, these are the principal recommendations with which I thoroughly disagree. I would request the hon. Minister to reject them and not to foist the main thrust of the recommendations on the economic development of our country.

As far as the main thrust is concerned, it is a free market, a free economy, a *laissez faire* economy. The heaven of *laissez faire* economy the U.S.A. even in their own Reports, say that there is 22 per cent black money compared to the assessable income there. I am sure as the Report of the National Institute of Public Finance and Policy has under-estimated the amount of black money operating in our economy. So how these report underestimated their black money. It goes without saying. In spite of these recommendations of the NIPPEP or IMF being in operation there, the amount of black money is increasing. The black money is endemic to capitalism. The black money cannot really be attacked

[Shrimati Geeta Mukherjee]

if we keep the social system of exploitation in tact. That is the fundamental view to be taken. And we think we should reiterate it. As far as some of the measures about strengthening the collection part of it is concerned, that is, total tax collection, there are some of the recommendations which can surely be gone into and thought over. I do not know how. These can surely be acted upon. There has been the Minister's recent drive for changing that law—at least, that is what he has said—where the tax laws offenders would be called upon to prove their own innocence about the motive of their action in the technical term *mens rea* etc. But the trouble is, how many prosecutions at all took place, whether all these things would work in the present system. So, unless the prosecution system is totally overhauled, I think this change in the law will hardly help though I do not say that it should not be done. So, I say taking an overall view of the report, in my opinion, it is biased in favour of rich classes ; it is not even objective and many of its recommendations are retrograde. Therefore, I again suggest that this Report be rejected.

Now, I would like to give some suggestions very quickly. I am not an economist, from a commonsense point of view, I am giving some suggestions for you to think over. Some are fundamental and some are simple. According to today's newspaper, you are sending us a 22-point questionnaire. Anyway, I have not received that. If and when we receive it, we shall think over, go through the questionnaire and try to answer according to our understanding.

SHRI INDERJIT GUPTA : Answer will have to be only in 'yes' or 'no'.

SMT. GEETA MUKHERJEE : If it is only yes or no, then I do not think we can do much. Let us see what happens to some suggestions which I would like to give : (i) nationalise foreign trade, one of the important sectors of blackmoney. Of course, I will be happier if you also nationalize the domestic trade—not all trade, but trade in essential commodities. I hope you will take courage in both hands

and try that. Don't reject that as being outside your philosophy. But this is hoping against hope—really without any hope.

The second is : enforce urban property ceiling, though I know it is a State subject. It has hardly been very seriously attempted. (3) Confiscate all the money obtained through I.T. raids.

Incidentally, I hear that when some raids started, large scale disappearance of files also started. You must be knowing that. That is the report that we are getting. At least before you start the raids, protect the files so that you can find something.

Then, (4) demonetize one-hundred-rupee notes. Launch a massive drive for production of low cost, mass consumption goods in the public sector. Don't be afraid. Try to do it in the public sector, and thus overcome shortage of these goods. (5) Establish State trading in essential commodities.

(6) Launch a massive housing programme ; conduct land and real estate transactions through, again, a public sector corporation. Don't swoon.

I think this is the way, instead of having an illusory stamp duty reduction, rent control removal etc. This is how things should be tackled.

From another angle, (7) I would suggest that you enforce strict control on consumption and purchase of luxury items, and mobilize those resources for public expenditure.

Streamline the tax enforcement machinery, with a time-bound programme for the disposal of cases; open all files, except those pertaining to national security, to public scrutiny files relating to financial transactions.

Simplify control regulations, wherever possible, with one-window clearance.

These are some of the suggestions which I am giving off-hand, but once again, with great apprehension that the fundamental

thing that is related to black money is so dear to the heart of the present Government, and hence we are afraid that very little really can be done. Even then, given political will, something can be done. I request you to think over this seriously.

MR. CHAIRMAN : Before I call Mr. Mahajan, I would like to say that there are 25 speakers, and the time allotted is only two hours. So, I would request the hon. Members to be brief.

Now Shri Y.S. Mahajan.

SHRI Y. S. MAHAJAN (Jalgaon) : Madam Chairperson : The Report of the Study on Black Money by the National Institute of Public Finance and Policy is a document of great importance, but it contains nothing which knowledgeable people do not already know. But its importance lies in the fact that it was commissioned by the Finance Ministry and it suggests a package of measures that could be considered seriously for reducing the evil of black money in our society. To suggest remedies for the problem of black money was not, strictly speaking, within the terms of reference of that committee, but the committee thought it necessary to do so, for the sake of completeness. Its main job was to attempt a broad estimate of the volume of black money generated in the country. Its efforts to quantify the extent of black money and study the methods of its generation are based on published researches, informal interviews, and discussion conducted with businessmen, civil servants, politicians, chartered accountants, lawyers, journalists, economists and revenue officials.

The estimate of black money in the year 1983-84 amounted to about 21 per cent of the national gross product or in absolute terms about Rs. 36,000 crores. This estimate can be accepted, but we must remember as the committee itself admits that these estimates are based on numerous assumptions and approximations, each of which could be challenged.

An important points to note is the omission from the estimates of black in-

come generated through large scale smuggling activities that have become such a pervasive phenomenon in our economy in recent years. To that extent, the figure given by the committee is an underestimate of the total situation.

There can be no doubt, however, that the report, in spite of its imperfections clarifies our ideas and provides a package of remedies which could be seriously considered to deal with the phenomenon of black money which is a cancer in our socio-economic life.

Dealing with its package of measures, the committee's first recommendation is that black money generation could be effectively or significantly reduced only if the rates of all the major taxes could be fixed at reasonable levels. Opinions may, of course, differ on what is reasonable. The committee's suggestion refers to all the direct taxes as well as excise duties and sales taxes.

This does not mean that we can prevent tax evasion completely by lowering taxes to sufficiently low level. Such a consummation is not to be hoped for. However low the level of taxes, there will always be some people who want to and succeed in tax evasion.

The recommendation means that the level of taxes or their relations *inter se* or integration should be such as to significantly reduce black money generation or in other words, to achieve optimum levels of revenue. This can be achieved by the empirical method, *i.e.* by trial and error, over a period of time. This procedure will necessarily be accompanied by simplification and rationalisation of the tax laws, since it is the complexity of tax laws or the possibility of differing interpretations which gives rise to corruption and tax evasion.

The hon. Minister of Finance has already moved in this direction by abolition of the estate duty, and reduction in the rates of income tax and the number of income tax slabs. He had also decided to bring forward a comprehensive legislation

[Shri Y.S. Mahajan]

for simplification and rationalisation of the tax laws ; Proposals for modification of direct tax laws will also, we are told, substantially dilute or if possible totally eliminate the doctrine of *mens rea*. The laws, so modified, will surely have a deterrent effect on tax evaders, since the onus of proving innocence will lie on the person accused.

The other suggestions made by the committee are :

(1) To prevent smuggling, reduction in the rates of excise and customs duties on man-made fibres, electronic goods and watch components.

(2) A shift from qualitative import controls and a system of import licences to regulation by tariffs.

(3) Removal of price controls wherever possible and introduction of dual pricing in other areas.

(4) Suitable adjustments in the exchange value of the rupee and easing of exchange controls.

Reducing excise and customs duties on certain commodities with a view to making smuggling unprofitable is an experiment worth trying.

After all, it is the price differentials which induce people to resort to smuggling, which results in our country losing a vast amount of foreign exchange apart from encouraging crime throughout the length and breadth of the country.

Tariffs are certainly better than qualitative import controls, which breed corruption in the sale of licences on a large scale. Besides, it is doubtful whether our industries now need the complete protection that qualitative import controls provide, against foreign competition. Exposure to the frost winds of competition might invigorate our industrial structure.

Similarly, there is a case for eliminating unnecessary and out-of-date controls, but care should be taken to see that the apparatus of controls is not dismantled. After all, their purpose has been to ensure that scarce resources are channelised into socially useful lines of reduction.

The history of law shows that the administration has been battling against people who resort to, hoarding, profiteering and committing breach of controls. Therefore these controls are necessary in view of what the hon. Finance Minister has called is the capitalists greed. In the same way exchange control is something which we cannot lightly give up. Our foreign exchange resources are satisfactory at the moment, but we cannot rely on the continuance of this position in future. We must remember that foreign exchange has been the most serious constraint on the economic progress of the developing countries in the last thirty years and we are not an exception to this general proposition. Besides, devaluation of the rupee, if that is what the report means, will increase the burden of increased interest and debt payments beyond our capacity to pay.

On financing of election expenses, the Study recommends a 'floor level' State finding of election expenses of candidates for the Lok Sabha and State Assemblies. This will help the candidates who have no financial resources. At least, it will reduce the amount of black money in the country.

Then the Committee recommends relaxation of rent control laws without undermining the tenants' security of tenure. The present laws relating to rent control are the result of the conditions that we have ourselves created. The owner does not repair the buildings, nor do the tenants do it, with the result that buildings collapse. Every monsoon this is the experience in Bombay. We must see that rents increase sufficiently in order to enable the owner to repair the building or to see that the onus of repairing the building falls on the tenants.

The Government should start a National Fund for slum clearance, with a seed capital of say Rs. 100 crores and then float

debentures with indemnity period of nine to ten years on an interest rate of 8 per cent. No questions should be asked as to the source of the funds invested in these debentures. This is only a proposal. The value of debentures and interest thereon should be liable to wealth tax and income-tax.

Under the circumstances, I doubt, whether it would be possible to evolve a bolder method of dealing with this problem which at the same time would meet the crying need for housing of millions of our people. The proposal would be criticised as permission to convert black money into white, as offering *de facto* amnesty to tax-evaders. But, we should not forget the great advantages this proposal would confer on the people—millions of people—in our country living in conditions which can be described as hellish. If you want to help them, this is one way-out. Unless a better remedy is suggested, I think, this one should be accepted.

This brings me to the last point which in my view has a special significance i.e. policies relating to administration, promoting integrity among officials and better enforcement of tax laws. The report lists these measures at last in order of priority. But in my view these measures should have been given the highest priority among the measures to be adopted to deal with the menace of black-money.

Apart from business and industry, corruption is the most widespread sense in black-money generation in our society. It is difficult to mention any Department of the Government where it does not exist. Even in the administration of justice and education—areas which we regard as sacred—corruption has invaded.

There are universities where affiliation, recognition of teachers, promotion of students, all these things take place as a result of greasing somebody's palm. Corruption has become endemic in our society.

Even as far back as 1964 the Santham Committee had warned about the unprecedented opportunities for acquiring

wealth by dubious methods that were available to the bureaucracy. With the adoption of planning and steep increases in Government expenditure these opportunities have increased enormously. The hon. Minister has already begun a serious drive against tax-evaders. First, to enable him to take a coordinated action against economic offenders, he has decided to set up an Economic Intelligence Bureau in his Ministry. Second, he has started special drive codenamed 'Operation Ketu' against tax-evaders and smugglers. This has brought to book contravention of foreign exchange regulations to the tune of Rs. 20 crores and smuggled gold worth Rs. 28 crores in the first six months of this year. He has also warned that if the tax evasion is not reduced or better compliance of tax laws is not forthcoming he would have to resort to stricter methods. Surprisingly this has brought protest from very unexpected quarters, viz. the *Times of India*. The paper has discovered in him a policeman. I believe the criticism of the *Times of India* arises out of the failure to realise the great harm that the black-money has done to our society.

Finally, I would like to make some specific suggestion. Corruption is the biggest source of black-money generation. Prevention is better than cure. Instead of prosecuting officials, if we can prevent corruption on their part, it will be better. For this we should have a flying squad which will visit offices without warning and see that business takes place without greasing anybody's palm. Take the case of the Registration Department whose business is only registering deeds of sale. But there also registration does not take place unless some percentage of the value of the property sold is passed on to the bureaucracy. If our squad goes there and sees that the registration takes place without greasing anybody's palm, that will prevent corruption in future.

These measures can be adopted with necessary modifications and alterations. I believe that their adoption will help a great deal in solving the evil of black money.

[Translation]

SHRI VIRDHI CHANDER JAIN (Barmer): Mr. Chairman, Sir, the National Institute of Public Finance and Policy on Aspects of Black money in India was entrusted with the work of studying the causes of generation of black money in India but the report presented by it includes suggestions also. Constant efforts are being made to check the evil of black money. There was not a single session of Lok Sabha when this subject was not discussed. It is the Eighth Lok Sabha and in this session also it is being discussed. This subject is discussed after the presentation of the Budget also. But the situation has developed to such an extent that more we endeavour to check black money in the country, the more it increases. It is clear from the figures given by the hon. Finance Minister that the black money is constantly increasing in the country and it has not declined in any year.

Now the question arises whether we shall be able to check the generation of black money in this capitalist system or we shall have to change this system. Without remedying this situation our country cannot develop and progress. We have not been able to achieve the desired speed of progress and development in our Plans—presently our Sixth Five Year Plan is in progress and we are going to implement our Seventh Five Year Plan very soon—due to black money. It has become clear that when the rate of Income Tax was high, there was a tendency to conceal income so as to evade income tax. But after the report of the Wanchoo Committee, the tax limit has been brought down to 50 per cent. This is a good step.

Another step taken specially to reduce the tax is reduction in the rate of Income Tax and the number of slabs. This is also a welcome step. We have constantly been pleading that the Income Tax laws should be simplified but so far no efforts have been made to this end. Because of its being a complicated law, the lawyers take

undue advantage. The income tax payer have to act under the guidance of the income tax lawyers. The Income Tax Officers are the most corrupt officers. It is due to them that Income Tax evasion takes place. To check the corruption, you should take similar harsh steps against the Income Tax Officers as have been taken in the case of the Tax Commissioners. I welcome the raids being conducted by the Government presently. About the raids I would like to say that prosecution proceedings are not initiated immediately after the investigation. The action is delayed because of which tax evaders are benefited and they usually go scot free. Therefore, the recommendation about *mens rea* is a welcome step because it is very difficult to prove the intention and they escape punishment. So, the recommendation in this regard should be accepted. In this recommendation it has been stated that :

[English]

An important recommendation is to eliminate or substantially dilute the doctrine of *mens rea* in cases of tax evasion. The prosecution should be required to establish the *actus reus* of the particular offence leaving it to the accused to prove that he committed the *actus reus* innocently. The second one is : Special courts should be established for tax offenders.

[Translation]

This must be done.

Special courts for the tax offenders are a must. Just as we provide in other laws that the minimum punishment will be 6 months' imprisonment similarly in this case also, imprisonment of 6 months' should be provided. Unless the industrialists and the capitalists are imprisoned, they will not change their ways. You may fine them to the tune of lakhs of rupees, they are not bothered ; they will pay the fine and subsequently with more Income Tax evasion, smuggling and hoarding and other type of ** will amass wealth. In this connection special efforts are required.

**Expunged as ordered by the Chair.

Though banned, speculative transactions are going on openly and no action is taken against these activities. Our machinery does not function at all against persons indulging in these activities. Concrete and firm steps should be taken against such transactions.

[English]

MR. CHAIRMAN : You used some objectionable word. I will have to expunge it.

[Translation]

SHRI VIRDHI CHANDER JAIN : Disproportionate assets—the assets of the income tax evaders in some cases run into lakhs and crores of rupees. The transactions are made in their own names or they are 'benami' and they escape the long arm of the law. There is need to take the severest action against such people. Such disproportionate assets are mainly with the advocates, engineers, doctors, film stars and such other people. Their assets should be thoroughly investigated and strict action taken against them.

I would also like to mention that major portion of the election expenses comes from black money. Today the question is that if we, the politicians, use black money in elections, what right have we to talk of curbing the black money? How shall we be able to persuade the industrialists and capitalists to desist from these things? We cannot take strict action against them. Therefore, it is quite necessary that election expenses are borne by the Government. The Central Government should bear the expenses on elections for Lok Sabha and the State Governments should bear the Assembly election expenses.

Due to shortage of time I would like to submit that concrete steps are required to be taken to eradicate black money.

[English]

MR. CHAIRMAN : Now, Mr. M. Subha Reddy.

18.00 hrs.

SHRI AJIT KUMAR SAHA : Madam Chairman, it is already 6 O'clock. Shall we continue this discussion tomorrow?

MR. CHAIRMAN : I would request the House to extend the time for one hour. I request leave of the House to extend the time by one hour more. We will sit upto 7 O'clock or more if necessary.

SOME HON. MEMBERS : It should be extended by 2 hours.

MR. CHAIRMAN : All right. We will extend it by 2 hours with the consent of the House. Is the House agreeable?

SOME HON. MEMBERS : Yes.

MR. CHAIRMAN : Time is extended by 2 hours. We will try to conclude it today itself.

[Translation]

*SHRI M. SUBBA REDDY (Nandyal) : Madam, Chair person, I am happy that the Government is trying to control the circulation of black money. The main issue is how to unearth the black money. This is the problem confronting us today. Undoubtedly the circulation of black money is much more than the white money. Perhaps they are intertwined with each other. (Interruption)

MR. CHAIRMAN : No, no, I request the House to extend the time. I will request the House to extend time by one hour. Let us sit upto seven. (Interruptions)

I have to conclude this item today. I request to extend the House for another two hours, Mr. Reddy, please...speak in Telugu because you have started in Telugu.

SHRI M. SUBBA REDDY : Madam, we often come across the rumour that black money is flowing into the foreign banks in large sums. There are many secret accounts in the banks in Switzerland where very large sums are said to be deposited. This is an open secret. Hon. Finance Minister should consider this matter seriously. The Govt. have imposed ceiling on the lands. But so far there is no ceiling imposed on urban property. This is one of the main reasons for the generation of black money in the country. Corruption in the administration is another important source. The rampant corruption prevailing in the administration is in fact increasing every day. So the Government have to tackle the twin problems of black money and corruption simultaneously. Hon. Minister should note this. The generation of black money will be effectively controlled if the corruption in the country comes to an end. If the circulation of black money comes to naught, the economic conditions in the country will improve automatically.

Tax evasion is another important factor which promotes the circulation of black money. The collection of income tax arrears has been too slow. The I.T. arrears are mounting up. The Govt. is showing lukewarm attitude in collecting of income tax arrears from the big wigs. For example calculations show that more than Rs. 200 crores are in arrears in Andhra Pradesh alone. Who are the persons who are evading the income tax ? It is only Multi-millionaires. The Government is not in a position to collect the tax from these big shots. If this is the position in Andhra Pradesh, I don't know how many thousands of crores are in arrears in the whole of the country ? How much amount is escaping the net of income tax ? If all the amount in arrears is collected, we can do away with deficit financing very easily. There won't be any more deficit budgets in the country. The hon. Minister should take more interest in collecting the tax arrears. He should not spare the rod while dealing

with the defaulters. This trend is in existence throughout generations. Hence this peril must come to an end. The hon. Minister should handle this issue firmly.

Politics may be an important aspect of our life. But at least it should not dominate other important matters. For another 5 years at least politics should be set aside and economic issues must take the first place. Now there many projects which are under progress We are barrowing the money from foreign countries required for the construction of these projects sometimes even falling on their feet. Instead of barrowing from others it is better if we can unearth the black money which is sufficient to meet the expenses on ongoing projects. Sir, on the way to Andhra House, there is a very big hotel coming up. Crores of rupees is being invested on the construction of this hotel. What is the income of the person who is constructing the hotel ? How much money he has taken as a loan from the Government ? How much black money is being pumped into the construction ? The answer for all these questions shows that the black money is in circulation beyond any proportion in this country. One of the main reasons why our country is so poor today is that the influence of the black money. Inflation is the direct result of the black money. The prices of every commodity go up as more and more black money come into picture. An item which costs one rupee today costs ten rupees tomorrow. The increase of nine rupees in the price is going unaccounted. This unaccounted money is playing a havoc with our economy. There is no check to control the unaccounted money. Even the officers concerned have stooped too low. So absolutely there is no control on the unaccounted money. Our Finance Minister is an youngman and he should put in more efforts in this direction. We have every hope that he will succeed on this front. The recent statements made by him prove his honesty.

The raids are resulting in the unearthing of large amounts of black money. Markets which have turned out to be black markets are being successfully raided. The black marketeers are not many. They are not useful to the country in any way,

Even if their contributions are substantial, no political party can hope of achieving anything with their help. If all the black money is unearthed, our country will become more prosperous than any other country. So a way have to be found out to unearth the black money. This discussions about black money have been taking place from time to time. But there is no outcome. The solution for this menace is yet to be found out. The Government should think about ways and means to control the circulation of black money. The Government may enact a legislation to curb the circulation of black money. Unless ceiling is imposed on urban property it is difficult to curb generation of black money. The ceiling was imposed on lands which were acquired through sweat and toil. But there is no ceiling on the money which is being deposited in foreign banks clandestinely. This is not proper. A solution has to be found out to contain this practice. A poor man who starts business in a humble way becomes millionaire overnight. Now a Maruti car which costs around 45 thousand rupees is being sold in black market at 70 or 80 thousands rupees. From where did this extra money is flowing into the market. The entire black money is being converted into white. I hope the Government would try sincerely to find out ways to contain circulation of black money. The entire Government machinery have to work with devotion towards this end.

Sir, there are many anomalies in the pay structure of the employees in the country today. For the same work, different salaries are being paid at different places. If a Class IV employee draws a salary of Rs. 400 in a Govt. establishment, his counter part in a bank draws Rs. 1000/- as his salary for the same nature of work. So much difference in pay structure for the same nature of work at different places. The extra money drawn by a person who draws more, slowly gets converted into black money.

To say that there is no gold in the country is not correct. Much of the gold is hidden in the earth people are afraid to take it out and the fear of getting caught is the reason for it. Black money is the

source of these evils and is making an ordinary man's life miserable. So the hon. Minister should make every effort to bring out all the black money. A Bill should be brought before this House for this purpose. Unless all these efforts are made, it is very difficult to unearth the black money. The hidden wealth in the form of precious articles etc. which are the sources for black money should also be unearthed. Launching prosecutions against every body who indulges in this kind of acts is necessary. News papers carry such news every day. But that is not sufficient. Making statements is not sufficient. What is needed is determined action by the Government.

Since I am speaking in Telugu, I don't know whether the hon. Minister is able to follow my speech. He has a reputation to be a good administrator. He is young and energetic. He has a good record, not only now, but even during the days when he was in Assembly. He is known for his grit and determination. I hope he will deal with the offenders mercilessly and see that the menace of black money is wiped out once and for all.

Sir, I conclude thanking you for giving me this opportunity.

[English]

SHRI G.L. DOGRA (Udhampur) :
Madam, I was amused to hear the comments of the friends on the other side. They wanted not only to attack the report but also to have a dig on the hon. Minister of Finance.

I do not know why it was said that he is giving some boost to private sector and big industries and monopoly houses. It is only in this Budget and in the previous Budget that big industries were taxed. Otherwise, they were not being taxed. At least, 30% of their income is now assessable to tax. Previously it was not. Then there is a recommendation that no exemptions should be given to the industries and that there should be reasonable rate of tax without exemptions.

[Shri G.L. Dogra]

So I just want to say that as far as this problem is concerned, it is a very serious problem. Blackmoney is acting as a parallel economy.

The problem is this that you have to be clear whether you want witch-hunting only or you want to tackle the economy which is running parallel to your official economy. So, naturally the hon. Minister of Finance is facing this problem that black-money is acting as parallel economy. It should be brought within the control of the Government and the system that is operating officially. That is the main problem to be tackled.

As far as the system of high taxation is concerned, it started, as far as I know, with Shri Liyaqat Ali Khan as the First Minister of Finance of the provisional Government of undivided India, advised by his then Secretary, Shri Mohd. Ali. This was subsequently followed by all the other Governments and probably as far as I can imagine, the system of high rate of taxation was introduced in all the developing countries at the instance of certain imperialist economists and it is prevailing in many other countries also. For the first time, it was the late Shri Y. B. Chavan who reduced to some extent at higher slabs which resulted in greater revenue and in lesser black-money in those slabs where the tax was reduced.

It seems that we do not want to learn by experience. We want to go by certain theories irrespective of the consequences. I say to these Marxist friends "If you go to Poland, you will find that there the Government and Communist Party are not dependent on labour. Labour is against them. It is only the small peasant proprietor who is supporting, rather, upholding the Government and there the Government is nearly dependent upon them."

It is only by experience that they have found that the small peasant proprietor is their ally. It is according to circumstances that we have to proceed. Marshall

Tito deviated from the accepted theories of Marxism. He was denounced by the Marxists all over the world. But he followed a policy which resulted in the well being of the people. Therefore, according to the situation we have to act. Our Finance Minister has to act bravely. We have to pressurise the generators of the black money, but at the same time we have also to give outlet to it, so that it comes to the channel of the official economy. Instead, if you follow the system of witch hunting, nothing is going to happen. You say that your laws are not very stringent. They are stringent. Their implementation is also very stringent. But they could not stop the generation of black money. Do you think that a strict law can stop committing of offences ranging from murder down right to small offences? In spite of the fact that there are strict laws, you see the day light robbery, looting of banks etc. everyday. It is not that you don't have the machinery to apprehend and try the culprits. Unless we create conditions in which this money can be controlled, we are not going to succeed. Whatever may be the amount, I am not going into that. My friends have drawn your attention towards that.

What I mean is that the problem is a very serious one, the parallel economy has got to be tackled. The report suggests many measures and I don't think that it is proper to reject them down right. Whatever the opposition may say as far as the recommendations of the report are concerned, the Government has to give a serious consideration.

Stress was laid on the public sector by the opposite sides. Government mainly depends on the public sector. They are trying to improve it. As far as the private sector is concerned, it does not consist only of big industries and monopolies, but it also consists of small scale industries. Our self-employment programmes are in the private sector, our trade and business are also in the private sector. So, how can you condemn the private sector? The evil is not a sectoral one. It has got to be looked from that point of view.

Madam, since you say there is no time, I finish although I have many points to make. At the end I will recommend to the hon. Finance Minister that all the points in the report should be thoroughly discussed. Two hours discussion in the House may not be sufficient. At various levels, at various forums, this has got to be discussed. Certain things may have to be eliminated; certain others have to be added. This is a problem which is facing the country, which is undermining our economy. Therefore, I would suggest that as far as the parallel economy is concerned, it has got to be tackled. In the end I would again suggest that you have to apply pressure on the generators of black money and also give it an outlet. That policy alone will bring the parallel economy under your control. You have to encourage the black money to come to your fold and how you do it is a thing you will have to thoroughly study.

SHRI SHARAD DIGHE (Bombay North Central): Madam Chairman, it is very gratifying that this report of the study by National Institute of Public Finance and Policy has been brought before this House for discussion.

I am happy that Government has kept an open mind as far as the recommendations are concerned. I am told that no final decisions have been taken on the recommendations. But considering the discussion in this House and considering other circumstances, the Government is going to take final decisions as far as the recommendations are concerned.

The phenomenon of black money has been very old and in the past also several steps were taken by the Governments. As far as the voluntary disclosure schemes are concerned, they were resorted to on four occasions, in 1951, once, in 1965 twice and in 1975 once.

But it did not give satisfactory results. Quantitative results were disappointing. We could get disclosure of Rs. 267 crores in the first instance and Rs. 727 crores in the second instance as far as voluntary disclosures are concerned. Then the

remedy of demonetisation was tried twice—once in 1946 when only Rs. 8 crores of the high denomination notes out of a stock of Rs. 144 crores in circulation were presented; second, in 1978 when high denomination notes of the value of Rs. 20 crores only out of a circulation of Rs. 145 crores were brought out. So, relatively very paltry results were found in the past.

Similar was the experience as far as the special bearer bonds were concerned. In 1981 the special bearer bonds were issued with the maturity date of 1991. It was found that even the honest people withdrew their money from the savings and purchased the special bearer bonds. Really speaking the black money did not come out. Therefore, special approach has been made by this study group and several suggestions have been made. I am also happy to note that our Government is very serious with respect to the black money. Even as far back as February, 1985 during the election tour the Prime Minister had said that Government would launch a two-pronged attack to end the evil of black money. The first step would be to deal with the sources of black money and the second is to make the law stringent and bring to book these generating black money. It is also gratifying to note that the Finance Minister had taken important steps to dig out this black money, *viz.*, abolition of Estate duty, reduction in the rates of income tax and reduction of income tax slabs. Several stringent steps are being taken to dig out black money. Effective steps are being taken to find out the sources of this black money.

The suggestions that have been made by this Committee have to be considered in detail. The first suggestion which they have made is regarding changes in the economic policy designed to reduce black income generation and for that purpose reduction in tax rates have been suggested. This is also partly implemented by this Government. I am surprised to find that even suggestions have been given to abolish direct income tax altogether. Government should be very cautious about this. They should not ever do the liberalisation as far as the tax slabs are concerned and

[Shri Sharad Dighe]

also they should not be very liberal in removing the controls and other things. We are having a planned economy. We are following the Five Year Plans. Though we have got mixed economy we are insisting upon the controls so as to equitable distribution of whatever small things we are producing. So, it is not necessary to remove income tax altogether. You may give relief to salaried people or wage earners but it is not necessary to give any relief to the traders and big businessmen. Simplification of tax structure, of course, is necessary.

Now, I come to the main recommendation with which I fully agree, *viz.*, financing of election expenses. As politicians, we all know that many parties have to depend considerably on the funds of the big business people and that leads to not only change in policies sometimes, but further corruption also. Therefore, financing of election expenses by the State is a must now, as far as election reforms are concerned. And according to this report, it will require hardly Rs. 500 crores for implementing the State funding of election expenses. We should take courage and make this reform immediately so that the foundation of this black money can be hit as far as this angle is concerned.

Further, we should be after the corrupt people. They may be in administration or in politics, but we must insist that everywhere there should be clean administration. It is not merely sufficient to have Mr. Clean as the head of the affairs at the Centre, but we must also see that everywhere in every State, the politicians who are at the helm of affairs, and others who are running the administration, must be clean and insistence should be placed on that. That is the main source of corruption as also the main source of black money.

Along with the financing of election expenses, we must also clean the political life and we must insist upon such things.

Finally, the main thing that we should do is to insist upon strict measures against

smugglers, because smugglers are the main persons who really generate this black money. They amass wealth and with that wealth, they control the political life of this country, they become builders, produce films and use this black money in different walks of life.

Therefore, very strict measures should be taken to stamp out smuggling and stamp out corruption from this country. These are my main suggestions.

SHRI AMAL DATTA (Diamond Harbour) : Madam, we in India have been very much concerned about black money not only recently, but for a very long time. In fact, we have been having governmental investigations into black money right from 1936. There was an Aiyar Committee in 1936 ; in 1947, there was the Income tax Investigation Committee to find out how income tax evasion takes place and gives rise to black money. In 1953-54, there was the Taxation Enquiry Committee ; in 1956, we invited Nicholas Kaldor, the world famous economist to make some studies into the generation of black money and how the taxation structure should be tailored to prevent black money. In 1958, there was the Direct Taxation Enquiry Committee, and in 1968, there was the Committee Departmental Officers. In 1971, there was the Wanchoo Committee and in 1983, the National Institute of Public Finances and Policy was commissioned to prepare this report which is presently under discussion.

It shows how concerned we are on both sides of the House about black money generation. But it appears that the concern of the Government is merely theoretical and sporadic. It raises its head from time to time when necessary for the ruling party to create an image to the nation that they are concerned about black money. Even that is not to be thrown away. If such an occasion comes, we should welcome it for a discussion here, because that would reflect the mood of the nation. We hope, although we do not really believe, that some action will come out of it. There is another thing which I welcome in the attitude of present Government. When the Wanchoo Commission gave its report,

the then Government tried to suppress it and that report had to be smuggled out of the Government for the public to know the contents of it. Whereas this time, the Government have voluntarily disclosed the report. That is good. I should say that I gave a cursory reading to the report, as I do not have the time. Nor do I have, frankly speaking, all the erudition to understand the report in its entirety. So whatever I have understood about the type of methods employed and the conclusions reached by this report, somehow or the other, it appears to me to be somewhat tailor-made. I am not saying that those persons have been told to come out with those conclusions. But possibly, they are like-minded people, people who in general, agree with those who are in the Government now. And those who are in the Government now are, by and large in agreement with their predecessors in the last Government. Possibly, the people who have been recruited who have made this report are like-minded people. Naturally they have come out with suggestions which are suitable for the present Government to follow. Liberalisation, doing away with the direct taxes, or at least reduction of rates, etc. are found in the Budget and it is the same thing which this report also recommends. This lurking suspicion will remain in my mind, whatever the Minister may say to the contrary. I feel that this report is for the purpose of getting support for certain measures which the Government have already determined to carry into effect for the purpose of building up a solid core of supporters in the country. And the affluent sections of the country, both rural and urban, will be the supporters of this Government, once the Government to implement these measures. For that, it will get sustenance from the recommendations of the report. So, this is a very politically motivated report in a sense.

The authors of the report themselves have said that people might find fault with the methods they had applied, the definitions, the parameters and everything. I am not finding fault with any of these. But the ultimate conclusion which they have arrived at, *i.e.* 37,000 crores of rupees of black money was generated in the

year 1983-84, is I think a gross under-estimation. I say this because for the same year, the IMF experts estimated that Rs. 86,000 crores of black money was generated. There is a large gap between 37,000 and 86,000.

SHRI VISHWANATH PRATAP SINGH : Whom do you rely on, the IMF or this report ?

SHRI AMAL DATTA : I am not relying on either of them. Both are equally unreliable. I will not go into all the recommendations. Certain things have been stated as a conclusion by this report. It is said that voluntary disclosure scheme will help to reduce black money. It is an absurd proposition because this voluntary disclosure has come in every decade, not once, but twice or thrice, but it has not at all decreased the amount of black money. On the other hand, since the time of the Wanchoo Commission's Report— if I am wrong, I may be corrected—from Rs. 10,000 crores in 1973-74, it has gone up now to Rs. 37,000 crores. That is your own estimate. I am talking about your own official estimate. So, if that be the case, voluntary disclosures are taking place. In the meantime, the bearer bonds have been there. One thousand crore has been mopped up in the bearer bonds.

Another suggestion is that some slum clearance bonds may be floated so that nobody will question the source of money and then people will subscribe to it because they will be able to satisfy their urge to do something for the nation. There was no such urge so far as bearer bonds are concerned. I think it is an absurd proposition. People who generate black-money do so at the expense of the nation ; later on they will not give it up for the purpose of benefiting the nation. They want to see that the money in whichever way it is earned, is used for their own purposes only, once you allow them to do so.

Now, the Government's spending has been held up as a source of blackmoney creation and out of this Government spending, what has been singled out is the canal maintenance, public works, buildings

[Shri Amal Datta]

and even anti-poverty programmes, land development agencies, civil and defence purchases, etc. Why is it so? It is because the Government does not exercise enough vigilance. Why does the Government not exercise vigilance with its own money 20 to 40 per cent of which is siphoned off into blackmoney. This is not the question of being liberal with anybody. It is a question of being strict and very vigilant. This Government which is in office for the last eight months should have been able to stop all these leakages by this time. They have not even taken the first step.

Then, they say another thing. The politicians are always held up and I think the parliamentary politics of the Westminster type grafted in Indian soil has given rise to a lot of corruption and for political purposes, real or imaginary, lot of money flows from the businessmen into people in politics. That is true. But that can be eliminated by a system where parties are made accountable for whatever money they receive for the election expenses. They have also suggested that only floor level expenses should be borne, which means that for further expenditure, the candidate or the party have to fend for themselves. That can be prohibited. If you follow, for instance, the German model for election, direct and indirect, both combined, where the candidates are fully funded by the State. Unless we go over to such a system, we cannot stop it. In our present model of Parliamentary democracy we cannot stop corruption by politicians.

One thing that has been found out is that there is a lot of kick-backs, commissions etc. given by the businessmen to people in Government who are incharge of the discretionary controls. So controls have to be made non-discretionary. This has to be done. The controls have to be exercised by people who must be morally superior to the present generation of people. This is number one. Number two, there must be vigilance behind that. Today, if a person has got some discretionary power with him and if he takes a kick-back, he can put the money anywhere

and there will be no control. Nobody will be wiser. The businessmen who accumulates, who evades income tax often does so not only for the purpose of evading income tax, but also sales tax, excise duty, customs and everything all in one go. Somewhere or the other there is a record that he has purchased this thing. But that record and the record of the taxation departments are all separate. One person can go and say something to the Sales Tax Departments, something else to the Excise Department, something still different to the Income Tax people. But why should it be so? Even though the tax authorities are different, there can be one integrated form; or somewhere, all these figures can come in, and they could be integrated, collated and scrutinized, so that the businessman will have less opportunity for evasion.

Our present Government is very fond of computers. This is one field where they can instantly do so, and I will support the installation of computers to see that all data from all sources flow into one computer, in respect of one business house or one individual. Then this can be analyzed and seen where he is trying to evade tax. This is one area, where in so many words they have not suggested it. But it should be done.

Another avenue has been opened, viz. non-resident investment. This is something very important. Non-resident investment was opened last year, or may be in 1983.

SHRI PRIYA RANJAN DAS MUNSI (Howrah): I thank you; at least here, you have supported the idea of computers.

SHRI AMAL DATTA: For this purpose. This non-resident investment must be stopped. This has not only given rise to some people bringing in money from abroad, wherein nobody knows where the money is coming from—as for instance this Escorts take over hid. Government itself says it is not going to enquire into who has financed this Coparo Group to purchase these shares. If that be the attitude of the Government, then people will take commissions; people will take

kick-backs, particularly on foreign purchases, accumulate the money, and bring it back through some non-resident. And they will try to control the big industrial empires here, as it is already happening in this Shaw Wallace case which is before the Company Law Board. There is this one person; what is the asset of that person is not known. But a company in Hong Kong having \$200 as capital has borrowed several hundreds of crores of rupees from somewhere, and got the shares of the controlling company of Shaw Wallace. This is the type of thing which is going to happen.

Our businessmen have always been doing this under-invoicing and over-invoicing, to accumulate money in foreign exchange; and now the Government has opened for them an avenue to get that black money back into India. This must be immediately stopped, if they want to see that Government remains independent, and that the parallel economy is extinguished. Otherwise, there is no sense in our discussing this matter here to-day.

[Translation]

*KUMARI D.K THARA DEVI (Chikmagalur) : Madam Chairman, according to the report of the national institute of public finance and policy on aspects of black money in India, an amount of 31 to 36 thousand crores of rupees of black money is in circulation in our country. After independence several committees have been set up and these committees have given their reports. In spite of several recommendations of these committees the generation of black money is going on the increase. This factor has affected not only our political system and administrative system but also our economical system. My basic question to the hon. Minister is why this black money is growing in spite of the fact that several laws have been enacted to curb it

I feel that the laws and reports of the Committees alone cannot root out black

money from our country. Even the frequent raids will not succeed to put an end to this malady of black money. We have to bring in a fundamental change in our political system and administrative system. First of all we have to wipe out corruption from these systems. The administrative set up has to be set right. Until this step is taken I am afraid that we may not succeed in removing black money.

People as they go on accumulating more and more money, try to evade taxes. I do not think that the report of the various committees and a change in the law structure would enable the Govt. to get rid of this malady of black money in the society. Another ironical thing is that the people with black wealth are hailed in the society. They and the black marketeers get encouragement from the political system also. Society also considers them as super beings—

Corruption is another important factor which has encouraged the growth of black wealth. They can't be stopped by raids and change in tax structure. First of all corruption should be rooted out.

Expenditure in elections is another important factor which is influencing creation of black wealth. It results in increase in prices of essential commodities and inflation. Therefore, it is high time for the Govt. to put a ceiling and to limit the election expenditure irrespective of parties. All parties have to agree to limit their expenditures in elections. Otherwise it is not possible to control inflation. On the one hand we give speeches here in the House as to how to curb black money and inflation, on the other hand we give a chance to the growth of black wealth and black money. About this, I do not know whether to laugh or to feel ashamed.

The malady of black money has spread in our democratic set up. We have to search our hearts. All political parties have to think about this matter seriously.

*The speech was originally delivered in Kannada.

[Kumari D.K. Thara Devi]

We give various assurances at the time of elections but how far have succeeded in fulfilling them? Black marketeers and smugglers also try to play their role in elections. They will try to bring a particular party to power which suits their choice. To fight against these forces change in law structure alone is not sufficient but a strong political will is very essential.

Special courts have to be set up, to deal with the offences of black wealth and black marketing. Special staff has to be appointed to deal with such situations.

This special staff and other higher officers should also be made responsible in such cases. Many IAS officers and police officers even though they know about these cases they do not take any stringent action. The Govt. should tell those officers to be vigilant and to take proper action, in cases involving smuggling and black wealth. There are some very good, efficient and sincere officers. Their devoted service must be recognised and all kind of moral support should be given to them. This should be the primary duty of the Govt.

In addition to checking of Income-tax evasion and stamp duty evasion corruption also should be condemned at all levels. There are instances where ordinary village level workers have constructed houses worth six lakhs of rupees. Public Works Department also delays the works and the expenditure goes on increasing from 50 crores it may go upto 500 crores. This is the state of affairs. Many engineers are also indulging in corruption and they are accumulating black wealth. What action has been taken by the Govt. against such officials?

The tragedy is that even religious places are not spared by the people who are generating black wealth. They can safely keep the money there. Mutts and other religious places are used to keep the black wealth. Some of Gurus of these mutts are also indulging in such activities. They evade taxes also. Therefore I urge upon the Govt. to take stern action against such persons also. A black list must be

prepared of all these unscrupulous elements. If they are doing some business their licences should be cancelled. They should be given severe punishment as it is given in the cases of other crimes. Otherwise there cannot be any change. Then only they would be law abiding and avoid indulging in black wealth. Then only they can avoid wrong path and join the main stream of national progress.

[English]

PROF. NARAIN CHAND PARASHAR (Hamirpur): Madam, the obsession with black money is traditional and has a long history and our friend from the opposition, Mr. Amal Datta spoke of some measures which were considered even prior to independence. But I do not find any credibility in his remarks that the present Government is making a show of it.

Madam, it is very clear that the Prime Minister has taken up the challenge. He promised three things in the beginning of this year. The first was to strike at the root of political instability and check defections, and the anti defection bill was passed.

The second is, this the black money : and third is the misuse of authority and to check it the Lok Pal Bill is coming up. So, on all the three fronts whatever he promised he is implementing, because everybody knows that it is in the best interests of the country because the nation is aware of the sincerity of the leadership at the moment. And also the recent trends and the recent measures taken by the Minister of Finance are also a proof of the sincerity. So, let us wish success to our leadership in this task. But if we only harp upon certain ditches the problem of black money cannot be wished away.

We have already taken some measures and reference has been made to the voluntary disclosures scheme launched earlier. There were four such schemes in 1951. One such scheme was there in 1957, two were there in 1965 and one such scheme was there in 1975. And similarly, the debentures and Bearer Bondus were also there. But how is it that still we have not

succeeded and whatever money was collected through these schemes was only a fraction ?

As you knew, the estimates differ. One estimate, of the present committee puts it at Rs. 37,000 crores, of another estimate by the well-known economist Adisheshaiah puts it at Rs. 59,000 crores, and a third estimate ; puts it at Rs. 31,000 crores. So, it is at variance. According to the system of percentage the IMF believes that 50 per cent of the GNP is black-money in India whereas in USA it is 25 per cent, Italy and Sweden 20 per cent, Britain 10 per cent and Japan 5 per cent. So, whatever the size and scale of the black-money, serious measures are required to curb it. But more than that a psychological approach is needed. At present, a tax evader finds that there is more saving in evading the tax than paying it. So, he resorts to all sorts of tricks. He goes to the High Court. A large number of cases are pending in the High Courts and the amount of income tax arrears involved is huge. It is cheaper to pay to the advocate and carry on the case for five years than to pay the income-tax. So people who are tax evaders, adopt cheaper methods. We have to discourage this tendency. When the transactions regarding sale of property takes place, the price is quoted sometimes at a higher figure and sometimes at a lower figure. It is the stamp duty which is involved for the State and lower liability for the seller. Like this there is a system of convenience worked out by the buyer and the seller. It is the State which is cheated, and the exchequer suffers on account of this leakage. We have to plug this. The simplification, as has been suggested, of our tax structure would be in the best interest of the country and would be a right blow at the evil of black-money.

A reference has been made to a number of schemes. One such scheme suggested is the creation of a national fund for the eradication of slums. This is one of the recommendation that if the people are allowed to offer black-money for purposes which are of socially welfare type, then the society will accept it. One such project, as suggested, is eradication of slums from

the cities. Rs. 100 crores can be given as an initial investment by the Central and State Governments. All those people who have black money can be invited to give black money there. Then, of course, the fund will increase and a social evil would also decrease. But be that as it may, another scheme is of debentures. There it has been suggested that while no question should be asked about the source of money, the interest from these debentures should be subject to income-tax and the value of the debentures should be subject to wealth tax, but they should be exempted from gift tax. These are the measures which have been suggested.

There has been a reference to the political will on the part of the leadership and integrity and honesty of the officials. This is a big question mark whether we will be able to this or not. On the one hand, we continue sniping at the Government whenever there is a step taken in the right direction and on the other, whenever a measure is taken to strengthen the hands of the Government, the opposition starts working in the other direction. The recent judgement of the Supreme Court regarding Article 311(2) is a case in point. Nobody wants a civil servant to be dismissed immediately on frivolous charges of corruption, etc. But we have to see that some in-built mechanism for honesty and integrity is ensured in the service career.

Secondly, there is a question of political leadership. What more courage is required than this that we have taken three steps and tackling of black-money is one of them? Of course, finding of elections has been suggested. But countries like Japan and USA where it is done and the Government prints posters for election campaign for various candidates, where writing a postcard is a corrupt practice but a telephone call is not, black money is still there.

19.00 hrs.

Who would say this? Would the funding of election to these gimmicks eliminate black money? It will not. Of course, the ceiling of Rs. 35,000 or one lakh for

[Prof. Narain Chand Parashar]

expenditure would not do. So, I suggest some sort of expenditure tax to be there so that whatever income is there, it could be seen how he spends that. If the entire gamut of expenditure is taken into account, then various loopholes can be plugged. Of course, there are objections to it. Many people say it is not workable. But what is the harm in trying it? We have taken so many measures, so this measure can also be taken. When a man enters a public office, let him file an affidavit, or let him file an account. A system known as CIN (Citizen Identification Number) has been suggested, some kind of a code number, year of birth and all that. So, everybody carry an identity card with CIN number and all that. But this can be done whenever a public servant enters the office. When he takes the oath of secrecy, let him show his income also, and when he retires, let us find out, by whatever measure you can, as to whether all that he has earned is in consonance with or in scale with what he could have earned as an honest officer. Same thing should apply to politicians also. It should apply to all, whosoever is serving the public. Whether a legislator or an officer or whosoever benefits from the State, a business or an industrialists, should also be accountable to the nation as to wherefrom he has gathered that wealth. I would end by quoting Adam Smith. What is the ultimate impact of black money? Its ultimate impact is exploitation. It results in exploitation of the have nots by the haves. So, Adam Smith said some time back, "A landlord, a farmer, a master manufacturer or merchant, though they did not employ a single workman, could generally live a year or two upon the stocks which they have already acquired. Many workmen could not subsist a week, a few could subsist a month and scarcely a year, without employment." So, it is the working class, it is the labour, it is the landless people, it is the people who are unemployed, who are victims of black money. Let us eradicate this evil once for all and let us try to plug it back.

19.02 hrs.

[*Shri Sharad Dighe in the chair*]

[*Translation*]

SHRI BIRINDER SINGH (Hissar) : Mr. Chairman, Sir, the people of this country have developed a firm faith that since Shri Rajiv Gandhi's Government have tried to provide a clean administration to them so he will certainly be successful in this field also. People are fully confident about it. The hon. Finance Minister can achieve success in this field.

If the branches and leaves of a tree are trimmed in order to strengthen the roots, efforts should be made in that regard. But there are certain trees which, after their branches and leaves have been trimmed, sprout rapidly after rainfall. The report of the National Institute for Public Finance and Policy lays stress on bringing improvements in this very system.

Sir, if you go into any Act, whether it is the Income-tax Act or the Sales Tax Act or the Central Excise Act, you will find basic lacunae in it. If you do not remove them, you will not be able to check black money.

An assessee has got the right to go in appeal to higher authority or a tribunal in respect of his assessment. But if any higher officer does not uphold the decision of some lower officer or does not consider that his decision is in the interest of the Government, then there is no provision for the junior officer to file an appeal against that order. Under an established practice higher officers will make *suo moto* review of 10 cases out of 1000 cases and if any lacunae come to notice, further action will be initiated in one or two cases.

Sir, I would like to draw the attention of the hon. Finance Minister to how black money is generated. In the Schedule of the Central Excise Act, there are 1 to 68 articles on which central excise duty is levied. If the officer treats article 68 as raw material, it also becomes taxable. According to the figures supplied by you an amount of Rs. 12,000 crores is to be realised in a period of one year and an amount of Rs. 3,000 crores, i.e. 25 per cent amount has been realised in the first 3

months and it is a satisfactory state of affairs ; but where does article 68 stand in this amount of Rs. 3,000 crores ? Supposing coal is consumed in the form of fuel in a factory and coal ash is used as raw material in another factory ; it depends on the officer concerned to levy or waive excise duty on that raw material when used in the other factory. I would like to know the extent of such amount which should have formed part of this amount of Rs. 3,000 crores, but which has been concealed from you ? Law will have to be amended so far as these basic things are concerned.

Mr. Chairman, Sir, many monopoly houses and industrialists indulge in the practice of diverting the foreign exchange. We import pulp from abroad @ Rs. 300 per tonne but the rate is shown as Rs. 500 per tonne. The difference of Rs. 200 is deposited in the Swiss and U.S. Banks. Thereafter, this money is brought here and utilised as black money. In Indonesia, 6 to 7 factories of Indians exist in the private sector and an investment of Rs. 50 crores on each has been shown in the books, whereas the value of spare parts and machinery which was installed there was Rs. 5 crores only. In this way an amount of Rs. 45 crores has been credited in the name of that industrialist. These people have adopted such methods.

I would like to point out to the hon. Finance Minister that if out of Rs. 1,80,000 crores invested in the public sector, you earn 30,000 crores during the Seventh Five Year Plan, the misconception created by the industrialists that there should be competition between the public sector and the private sector can be removed. It is a wrong notion. Supposing, there are 6 cement factories. If you want that cement factories should be in the public sector only, then no cement factory should be allowed to be set up in the private sector. I would like to give you an example in this regard. Take the recovery rate of all the cooperative sugar mills or the private sector sugar mills for the past 10 years. The recovery rate of a cooperative sector mill was 10.5 against the rate of 9.5 of the

industrialist. If his production is 10 lakh bags, he evades excise duty on 10 thousand bags and sells them in the black market. They have adopted this method. I, therefore, request you that this structure needs to be changed.

In this report a mention has been made about bonds and slum clearance. Do these industrialists want to offer alms to the poor people ? Will their money be utilised for clearing slums ? Attention should be paid towards foreign trade also. U.S.S.R. should be asked to negotiate with us directly. If she wants to purchase any item, she should hold direct talks with the Government. Why should she do so through her agents ? Foreign trade will have to be nationalised. Articles of basic necessities should be produced in one sector only no matter even if it is in the private sector. In the name of competition they cheat the Government. You will have to stop it. I hope you will look into the matter and see whether we can bring about basic changes in these policies.

*SHRI R. ANNA NAMBI (Pollachi) : Mr. Chairman, Sir, on behalf of my party, the All India Anna D.M.K., I would like to participate in the discussion on the Report about aspects of black money submitted by the National Institute of Public Finance and Policy. I am grateful to you for giving me this opportunity to give my views and suggestions regarding the problem of black money in the country.

At the outset I would say that black-marketing has become an inalienable part of trading activities in the country. Unless we eradicate black-marketing we will never be able to curb the growth of black money in the country. Many years ago Santanam Committee had given very valuable recommendations. After that Wanchoo Committee had also recommended several ways and means to end the menace of black money. But the very fact that black money is enveloping the country like forest fire goes to prove that these recommendations have not been looked into by the Central Government so far.

* The Speech was originally delivered in Tamil.

[Shri R. Anna Nambi]

The report under discussion gives example of how year after year black money to the tune of several thousands of crores is being generated. In 1983-84 21% of the Gross National Product got converted into black money. This amounted to Rs 36,786 crores. Our Central Minister, Shri Sathe has referred to this aspect in his recently published book. The economic policies of the Government are not meeting with success because of parallel of black money economy widely prevalent in the country. Black money is responsible for the price-spiral of essential commodities. Black money is the main cause of the steep decline in the real value of rupee to 16 paise. In 1980-81 77% of income escaped the tax net. The public expenditure was 9% of Gross National Product in 1950-51. This had gone up to 27% of G N P. in 1982-83. Santanam Committee and Wanchoo Committee have referred to the opportunities created by the phenomenal increase in public expenditure. Even on random sampling of public accounts taken up for scrutiny by the Auditor General reveals many loopholes leading to generation of black money. The urban real estates dealings are also the seed-bed of black money. This has become a universal feature. The private sector imports contribute to generation of black money. Rs. 2000 crores worth of goods are imported under replenishment licences which can be sold and re-sold for huge margins. Unless you do away with the system of replenishment licences, we will not be able to make any dent on black money. The public accounts should be prepared in a scientific manner.

It is really unfortunate that in General Elections black money plays a vital role. Our Chief Election Commissioner has referred to this in a public statement. The Government should meet the entire election expenditure. Then only there will be an appreciable reduction in the generation of black money. Similarly, some way out must be found out to stop the sale and re-sale of urban properties in metropolitan cities, which will eradicate the source of black money.

The Government of India implemented the scheme of demonetization of high currency notes in 1946 and in 1978 without any tangible result. In 1951, 1965 and 1975 the voluntary disclosure schemes were also implemented without much success. In 1981 the scheme of special bearer bonds were implemented and this also did not yield the desired results. All these schemes proved to be incentives for the people wallowing in black money.

I would suggest creation of National Slum Clearance Fund, National Drought Relief Fund, National Food Protection Fund and such other funds in which these people should be allowed to invest their money. This investment should be exempt from income tax. Under the dynamic leadership of our Chief Minister, Dr. M.G.R. the slum clearance work has received a tremendous boost. The work of Tamil Nadu Slum Clearance Board has received encomiums from World Bank experts. If he is given more funds in the form of National Slum Clearance Fund, he will eradicate poverty from Tamil Nadu. The State Governments should be permitted to float such National Funds for welfare activities.

Now the Central Government is spending hundreds of crores of rupees in cleaning the river Ganges. If the other national rivers are also to be cleaned, then the Government will have to mobilise resources to the tune of several thousand crores. For example, recently it has been found out that many lakhs of people in Tamil Nadu are afflicted by serious maladies because of drinking polluted Cauvery water. The cleaning of Cauvery water has also to be undertaken. I suggest the formation of River Waters Cleaning Fund in which these people should be allowed to invest money. At least then the black money will be utilised for developmental and welfare activities.

In the end I would suggest stringent measures to be taken against tax evaders. Unless you award deterrent punishment for tax evaders, not merely simple penalties, you would not be able to stop generation of black money. Tax evaders should be given conviction. Then only others

will not be tempted to evade taxes. With these few words I conclude my speech.

SHRI BALASAHEB VIKHE PATIL (Kopargaon) : Mr Chairman, Sir, first of all I would like to thank you for giving me an opportunity to speak and then I commend the hon. Finance Minister for taking many stringent steps to eradicate the evil of black money from this country. During his speech from the ramparts of the Red Fort on 15th August, the Hon. Prime Minister had said that Government had already solved two major problems and proposed to take immediate steps to check black money or to reduce its generation to the minimum. Stringent punishment should be awarded to those who indulge in the generation of black money in the country.

It is true that black money is increasing in the country. A tendency is developing in the society that previously we used to call the person amassing black-money as a sinner, but now we call the person not doing so as a sinner. The person amassing black money is called a big person and he becomes an industrialist also. In this regard I have rightly read somewhere that :

[English]

The benefit of the black money is that black is beautiful when it is money.

[Translation]

Such a tendency is developing in our country also....(Interruptions) But when it is money....because we have adopted the policy of mixed economy, the result is that corruption is increasing in our country. Land ceiling laws were enacted here. As soon as the people came to know about them, they divided the land in certain States before-hand. I, therefore, request the hon. Finance Minister to see that before announcing any new policy, the implications thereof should be fully visualised and new policy should be announced after considering all the aspects. If any raid is to be conducted it should be done secretly because on getting a clue

they conceal whatever is possible. Then it serves no purpose.

Secondly, it is also correct that Non-resident Indians also want to bring their black money to India. It is all right, but we would have to be vigilant to ensure that parallel economy does not come under their control. Keeping in view our G.N.P., it would have to be seen how much investment should be allowed for the non-resident Indians. It has to be watched, otherwise disproportionate investment may also prove to be dangerous for our economy.

I would also like to say a few words about taxes. Now when we have a look at direct and indirect taxes and when we go through the proposals of indirect taxes, we feel that the number of taxes have gone up so much that this task now appears to be very difficult. When we look at direct taxes, we find that in 1950-51, among direct and indirect taxes, the number of indirect taxes was 231 and in all there were 396 taxes. But when we now look at direct and indirect taxes, we find that the number of direct and indirect taxes is 5,000 and 30,000 respectively and in all there are 35,000 taxes. But when India got the freedom, the percentage of direct taxes at that time was 33 per cent and now after 38 years of independence the percentage of direct taxes has gone down to 14.3 per cent and the percentage of indirect taxes which was 33 per cent has now gone up to 85 per cent. This has encouraged the generation of black money.

Now I would like to say something about Sales Tax. The Sales Tax is also the cause of black money. I do not know what additional excise duty, etc, has been imposed. We had made many promises to remove Sales Tax, but we have not been able to abolish Sales Tax so far. So long as we continue to increase indirect taxes, there would always be a scope for generation of black money, because there is still a lot of difference between direct taxes and indirect taxes. You take Sales Tax for instance. You may go to any shop and purchase any commodity, the shopkeeper would not write your name. Hon. Finance

[Shri Balasaheb Vikhe Patil]

Minister may himself go to any shop, if he does not disclose his identity to the shopkeeper, he would give a simple cash-memo to him, which would not indicate the name of the customer and the item he is purchasing. Duplicate accounts are maintained in this manner. If the hon. Finance Minister reveals his identity, it is just possible that he may write his name, otherwise no shopkeeper writes the name of the customer. I would, therefore, request the hon. Finance Minister that he should concentrate more on direct taxes and reduce the number of indirect taxes. It would curb price rise and there would be a lot of relief to the customer.

I have collected a number of figures in this connection, but as there is shortage of time, I do not want to quote them extensively. Rs. 7336 crores or 59 per cent of the total money in India is circulating in the form of black money and 39 per cent of black money is generated by Sales Tax but when raids are conducted and when we go through the lists, we find that only Rs. 10 lakhs, 20 lakhs or Rs. 25 lakhs have been collected as a result of raids. When crores of rupees are circulating as black money in the country and only Rs. 10 lakhs, Rs. 15 lakhs or Rs. 20 lakhs are collected as a result of raids, it is not going to serve any purpose. It appears to me that the persons who undertake the raids are also in collusion with the businessmen, who come to know about the raids beforehand. I do not say that only officers are at fault. We, the politicians are also involved in it. We, the politicians are also to share the blame.

Next, I want to say something about the elections. It is correct that simply reprimanding the officers is not going to serve the purpose. We would also have to mend our ways a bit, because until we follow the right path, things are not going to improve. The officers would have grievances against us and we would have grudge against the officers and work cannot go on in this way. Both of us have to work in co-ordination. Both of us should have high morale. The officers as well as the politicians in the States should think

that such type of partial behaviour is not going to yield any results. Neither would dissension between officers and politicians be helpful in curbing black money. On the contrary, it would help them. Until our subordinate officers work properly, work cannot go on properly. All the people would have to work properly, only then work can go on properly. All of us—whether one is Minister, or M.P. or M.L.A. or Political worker or anybody else—will have to give serious thought to it. Until the entire expenditure of the elections is met from the Government treasury, the generation of black money would continue unabated.

These days we see that a person having black money has easy access to the Minister but the ordinary M.Ps. like us have to wait for ten or fifteen days to see the Minister, because we cannot give them anything and we cannot provide them any help in the elections. The doors of the Minister's house are always open to one who can provide help to him. I would, therefore like to draw your attention towards this and a serious thought would have to be given to this to find some way.

I do not say that there is lack of political will, but it has also to be seen as to how it is implemented. Our Hon. Prime Minister may make any number of announcements but, until these announcements are implemented, they are not going to serve any purpose. All of us have to implement them after all. Therefore, law should be amended. With these words, I express my thanks to you and conclude my speech.

[English]

SHRI VIJAY N. PATIL (Erandol) : Sir, it appears that we are passing through real "Kaliyuga". Sir, we have degenerated in one single generation from honest society to dishonest society. The question of black money is so much part of our society that majority of the individuals, knowingly or unknowingly enter into transactions that result in tax evasion. At some time or the other they make small contributions to the tax-evaded money. For the sake of time saving and for convenience

sake, we buy cinema tickets and rail tickets in black market.

A currency note travels in a day some times from black area to white area and it may land in black money or white money in the night. If we take the example of a person taking his breakfast in a Five-Star hotel, he will give the waiter a tip of Rs. 10. That becomes black money. The waiter goes to the vegetable vendor and purchases some vegetables for his use. There the money is converted into the white money. The vegetable vendor goes to a cinema hall, purchases five tickets for his family members in black, paying two rupees extra. That note again becomes black. The man who sold these tickets in black, if he goes to a hotel and purchases *Tanduri Murgl* the note is converted into white. But if he gives *bhakhshis* to a Cabaret Dancer, it is again a black money, unaccounted money.

So, in a society we find this black and white phenomenon. The Wanchoo Committee and other Committees reports on the existence of black money are comparatively not a real picture. Of course, it is a picture as far as our national economy is concerned, as far as exploitation, inflation and all these factors are concerned.

What is the main cause, what are the main reasons for generation of this black money? In this industrialised society, mixed economy, attraction for the capitalists, and the lust for luxury living are the main causes for the generation of black money.

Why is the smuggling of gold on the increase? I witness that all Indian women have gold ornaments. She will purchase gold at any cost.

Sir, there is also the weakness for liquor. A clerk may not take money as bribe. But he may accept Johny Walker for giving a permit.

(Interruptions)

Our liking for the Five-Star culture also is responsible for this.

The major areas where the black money is generated, all of you know. If we consider smuggling, we have seen that in 1969, 70, 71, we have abolished free purchase. Those things are no more. But the smugglers have become new under world kings and they have got their own kingdom, their own demarcated areas of smuggling; but we are not able to control them so far. Overseas employment opportunities also generate black money. Three-four years ago I had been to Italy where the Government was in trouble because of a Bill which required hotel owners to keep books of account. In this hotel business also a lot of black money is generated as the accounts are not shown properly. Then there is transfer of real estate, expansion of Government activities, etc. As the activities in the Government Departments get expanded the officers get back kick-backs, commissions, etc.

MR. CHAIRMAN : Please conclude.

SHRI VIJAY N. PATIL : Just as in the case of crimes the lawyers protect the criminals so here also we find that Chartered Accountants show many ways to big business men to show the money as unaccounted. Even many Chartered Accountants are partners in many companies. I would like to suggest that partnership of Chartered Accountants in the companies should be controlled so that they may not suggest illegal means for avoiding taxes.

Now, I suggest some means for checking black money and increasing the collection of taxes. You have proposed door to door survey. In Delhi we find in many houses there are seven-eight cars one for each member of the family but not a single car is in the name of the house owner. They are in the name of the drivers. So, how will you check? There is a bungalow in Delhi costing Rs. 50 lakhs but it has been rented to the Manager of the Company at the monthly rent of Rs. 600/- and all the taxes are paid accordingly. At the auctions we find people giving a bid of Rs. 3 crores for a plot of land. How can a person bid for such a huge amount unless he has declared his

[Shri Vijay N. Patil]

income to the tune of Rs. 20 crores. I do not think there is any individual in Delhi who has declared his income to that extent. So, I request the Minister that he should get all the big deals looked into.

MR. CHAIRMAN : Please conclude.

SHRI VIJAY N. PATIL : Sir, I appreciate the measures taken by our Prime Minister and also the steps being taken by the Finance Minister but at the same time I would like to suggest that initial slab should be increased. There should be better implementation of urban ceiling. People should be involved in tax planning. As we are pleading for better emoluments to the judiciary I would like to suggest for increase in the salary of Income Tax Officers. Lastly, Sir, we have come across two cases of assault on Income Tax Officers when they conducted raids—one in Srinagar and the other at Surat. So, here also there should be some amendment in the or the law should be such that assault on income-tax officers or the tax collecting authorities should be viewed as an offence and those indulging in such actions should get deterrent punishment. I thank you, Sir, for giving me this opportunity to place my view before this House.

SHRI THAMPAN THOMAS (Mavelikara) : Mr. Chairman, Sir, black-money is omnipotent in India. It is Almighty. It is creating our society or making our society omnipotent. It has taken on a monstrous posture. I would now go into the detail of how black-money has taken on a monstrous posture in our country. When I say it is Almighty, it is all powerful, I mean if they can purchase politicians, they can form the Government. So, it is Almighty and everywhere it is omnipresent. In the recent survey, it has been mentioned by the I.M.F. They say that 50% of the G.N.P. of the country is blackmoney. But this report says that about 30% of the G.D.P. is blackmoney. If that is the case, then all of us know the grave nature of black-money. What can be done for this ? A number of actions have been taken by the Government to check blackmoney. By tax relaxation, concessions, exemptions on

duties, etc. it was expected that black-money would be unearthed. I think it is a wrong approach. Unless there is a strict law to plug all the loopholes in the economy, it will not come out. Tax concessions and other methods to unearth blackmoney will not help at all and on the other hand it will further generate blackmoney. Already by conducting various enquiries and appointment of the Committee, the root cause for the generation of blackmoney has been found. The volume of blackmoney has also been detected. It is the duty of the present Government to give a treatment for this malady. I do not know whether the Finance Minister will give the treatment. I feel that the concessions, exemptions on excise, tax relaxation and various other incentives for exporters, *laissez faire* theory, etc. are all wrong approaches to the problem.

Sir, blackmoney has already been identified. I have read in the newspapers recently that many Indians are having bank accounts in Switzerland. Both the Governments of France and America have approached the banks in Geneva and the banks in Switzerland and they were able to get the details of the investments made by those nationals in those banks. Now, has our Government made an attempt to find out how many people from India have got deposits in Swiss Banks ? If that information is obtained, then, to some extent, the generation of blackmoney can be brought to light. The report clearly says that the politicians play the role through the election machinery and the report further says that the bureaucrats and persons in power, both join together, and they give contract abroad and that generates blackmoney. I am only having a frank discussion on this Report. If the Government's present attitude is to give contract abroad for every business it does, it will only contribute to the generation of blackmoney and because of the Government's present policy, the American Companies and the Japanese companies are coming to our country with the technology ; in the name of *laissez faire* theory, you offer them contracts. They have sabotaged the indigenous industry. We are purchasing all kinds of things right from Boeings to various types of

machineries etc. You approach all the foreign countries and foreign agents for supply of these articles. I am not going into the details. This report says that such foreign contracts generate black money. Is this Government prepared to say : "We are going to stop this policy, we are going to encourage indigenous industry and we are going to put a step for the foreign money to come." This report says that it is the politicians, it is the bureaucrats, who give foreign contracts and generate black money, which comes back to this country, and plays havoc. How are you going to stop it? When you give unnecessary relaxations, these things will happen.

I have been abroad and I have seen that very stringent measures have been introduced for economic offences. Perhaps, our country is the only country where we give laxities and all sorts of bonus for such offences. We say, that if they deposit this much amount, we will give them relaxation to a particular extent. On the contrary, there are countries, where the economic offenders are given the maximum punishment permissible under the law. They never say that if you make voluntary disclosures, they will share the loot money on 50 : 50 basis. Therefore, unless we change our approach, we cannot solve this problem.

To solve the menace of black money, I have a concrete suggestion. We know that today the position is that black and white money are 50 : 50. Will the Government be bold enough to say that unless the people come up and account for the money that they have, the 100-rupee notes that they have by a particular date, the Government is going to withdraw the 100-rupee notes and issue another 100-rupee notes instead of that? You decentralise this operation for purposes of convenience. Let every Panchayat area or some such area be the centre for this operation. Let them come and exchange the currency. You will see that within no time, the black money will come over-ground and will be accounted for in the national wealth. Is the Government prepared to say that they are going to withdraw the present currency and issue another currency instead?

I have seen in China that there is a system of double currency. We, the foreigners who go there have to use different currency. If I go there, I have to use another currency; local people will have another currency. And there is a safeguard for mixing both the currencies to avoid generation of black money in that society. Have you ever thought on these lines? That is intended to prevent the generation of black money.

As I said, if you say that if the money is not accounted for by a particular date, you would withdraw the currency, all the black money will come out.

There is another thing. It has been mentioned in this Bill that most of the money has been invested in lands and gold etc. and that is creating a difficulty standing in the way of progress of the country. Some of these persons have invested in the land and the land is, after all, in our country. It is our nation's wealth. But what about gold which cannot produce anything? You should persuade them to deposit or invest that money for productive purposes. Is the Government prepared to give any incentives to them?

Why does this all happen? It is because the people think that they have no security for their children. They think that unless then earn and keep for their children, the children will have no security. In fact, if the Government comes forward and provides security for the person and his children, and there is a system by which there is a provision for himself and for his children, for his family, perhaps tendency of hoarding so much money will go. Unless, we are able to create that feeling in the minds of the citizens, this malady cannot go.

SHRI AJAY MUSHRAN (Jabalpur) : Black money, of course, is a national worry today. But so far as this House and Rajya Sabha are concerned, on many occasions, we have been worrying and debating about the causes of black money. the ill functions of black money and the residues of black money which probably percolate down to the whole society.

[Shri Ajay Mushran]

There have also been cases of white money being converted into black money because of certain faulty implications of highly complicated procedural laws of the Government. This is the aspect that I want to touch upon.

So far as black money is concerned, many more knowledgeable and honourable members than I am have gone at great length to explain the international and national repercussions. Without boring you with repetitions, I only want to highlight how white money generates black money because of half-hearted or wrong policies, highly complicated laws and extremely technical forms one has to fill, particularly for two things—(i) income tax and (ii) estate duty.

Now, you will be surprised to know that no tax return today can be filled by a middle-class man without the help of a lawyer. I am sure, even the hon. Finance Minister himself cannot fill up his income tax return. Why? That is the first step of white money being converted into black money. The common man goes to a lawyer to have his form filled. He is taught by the lawyer how to save his white income and not to show it in his return so that he can pay less tax. That is the first step. The common man cannot fill up his own form and obviously the lawyer also has to live! The lawyer himself hides his income. Then the lawyer has another deal with him as to the number of times he would appear before the income tax officers.

(Interruptions)

The larger the income, the bigger is the lawyer required. I know many instances, where a common man, an army officer with some income which is taxable has got to spend more money in giving to his lawyer than what he would have paid, had he not hidden his complete income. As a Government, you become a party to this conversion of white money into black because of your complicated systems and procedures. I am not charging you. I am only trying to express the difficulty of common middle-class people, whom the Government has not taken into consideration.

I would suggest in all humility : please make the forms simple, which can be filled in by the tax payer himself. Most of your income tax payers are middle class people. About 80 per cent of income from income tax actually comes from the salaried class. I would suggest that the forms should be simplified in such a manner that it can be computerised. The period, i.e. the number of days within which the income tax officer should give his 'no objection' certificate should be reduced to a week. There are cases of 1981-82 and 1982-83, which are pending with the income tax officers because their palms have also to be greased. Once you make the forms simple, it can be computerised and the jobs that the income tax officers are doing now, can be done by the computer. This has two advantages. Firstly, the common man and the middle class people will not be harassed and secondly you will be able to usefully employ those honest and brilliant income tax officers for the purpose of arresting black money which requires much bigger expertise and which the computers cannot possibly do.

Sir, I personally feel that the Government deserves full congratulations for the abolition of estate duty. It is your pragmatic wisdom and your economic courage that has forced you to abolish this tax which was the biggest nuisance to the middle class people. The death of their father did not harass the sons so much as what the aftermath of filling of their return did.

Coming to my suggestion, you have made this provision applicable from 16th March, 1985. If the heirs of the people who have died on this date can take advantage of this then it should be made applicable also to the heirs of the people who died six months before this date. That is because the time allowed is six months within which one has to file his nomination. Somebody who has filled this nomination by 16th March, 1985 may not be benefited by this. This will also cover those unfortunate people who died in the Bhopal Gas tragedy. But there are large numbers of middle class people—I may correct the impression of this hon. House that only the poor people have died in the Bhopal

Gas tragedy—who were Income Tax payers and who had left their estates and their descendants will have to pay estate duty. I want these people also to be exempted. So, if you make it six months before 16th March, 1985 it will also cover the second category of those unfortunate people who lost their lives but not the properties during the riots after the death of the late Prime Minister. This will definitely give a real solace to these people.

So far as the Government is concerned, it is a very negligible amount. As it is, the total amount will be negligible if you exempt those people whose relatives died six months before 16th March, 1985. If they are also included it will give true solace to these two categories of people, more particularly to the unfortunate people of the riot-stricken class as also those who were stricken because of the Bhopal Gas tragedy. I am sure you will consider this suggestion and make things simpler (*Interruptions*). Then only the Law of Newton will work, namely the simpler the rules, the simpler will be your efforts to catch the blackmarketeers.

SHRI PRIYA RANJAN DAS MUNSI (Howrah) : Mr. Chairman, Sir, I would like to speak here on this issue free from all prejudices because I feel that at the cost of white money in this House, we are also discussing blackmoney. The more you consume the time of the House the more the white money of the country will be lost.

Mr. Chairman, Sir, I feel that there is no point in discussing and arguing on how blackmoney erodes the economy of this country. I however strongly feel that unless and until within the constitutional framework and with the present trend of the developing nations, some radical and revolutionary things take place to make the society completely a socialist one, there is hardly any room to fight the blackmoney menace, whatever we may do. It is just not possible at all. I do not like to have an answer to this. We may go on arguing but it is of no use. I would just suggest a few things on how to control it. If there is a fever you can give some

medicine. But I do not at all agree with the views of those who have suggested that the blackmoney holders be allowed to pump out the money for housing, this and that. It will be adding insult to the injury to this country; it will also be an insult to the very institution called Parliament; and it will also be an insult to the very sacred document of this country's Constitution. It is just not possible to put an end to blackmoney. However, let me make 4-5 suggestions. One is this, without production of an Income Tax Certificate or without quoting the file number, no immovable property can be bought and registered in any part of India; make this a condition right from tomorrow. I will tell you that *berami* agreements for the properties are executed. Surprisingly, Mr. Chairman, Sir, we the politicians during elections, whatever we may do or may not do, we are always accused by the press. But, quietly and very nicely, a good number of officials in this country including income tax officials get rid of this. Whenever you find a retired person with a good house the moment you put a question to him whether it belongs to him or not, he might tell you that it is his father-in-law's property. This is a general practice. I have seen the so called father-in-law but I do not know how rich the father-in-law should have been to spend not only during the marriage of his daughter but also to provide a house to his son-in-law on the latter's retirement. So, this is the standard practice going on throughout the country. I have seen it. They are doing it very nicely.

I do not classify money only black and white. There are four colours for money. White and black we know. In between, two colours are there, viz. red and yellow. Government's money is white money. Suppose there is a Budget provision of Rs. 1 crore. The Chief Engineer who deals with the contractor of the project will get the estimate for Rs. 1 crore, whether it is the Tecsta project, Farakka project or the Thungabhadra project. Out of that, the contractor will give him 15%. So, what happens is that the white money comes to him, sucking the blood of the people. It is red money. It is a dangerous thing, *i.e.* worse than black money.

[Shri Priya Ranjan Das Munsii]

Then there is a money which goes abroad from India, and *via* a Swiss bank comes back, like the quarantine and yellow fever. It comes into India as yellow money. It is another dangerous thing.

Apart from this, we have the lockers in different banks. Why should not the Managers of banks—they are being managed directly by the Finance Ministry—place the names of people who open lockers in their branches, before the Income Tax Commissioner of the respective States? Intimation may be given that such-and-such a person is in possession of a locker. I know that for this, if you need an all-party agreement, you will not get that agreement. I am confident about it.

Thirdly about the lawyers. We are the law-makers in Parliament. The law executors are the Administration; the law-interpreters are the Judges, and the law practitioners are the barristers and lawyers. The tax evaders pay huge fees to the lawyers.

Why don't you do one thing, as China is doing? Last year, I was in China. Whosoever does the practice there, does it through the State. In India, right from the District Court to the High Court, you make one provision; there should be a small counter, like the taxi-stand at Bombay airport. That taxiwallah is not to get the money. It will be deposited with the Police. He will take the chit, finish his duty, come back and get the amount.

Let every lawyer take even a thousand cases. His client will deposit the money right in the High Court at a counter. A receipt should be enclosed with the bill, and given to the Judge. And then what happens? He will go back, take the receipt and collect the money. I will tell you that in that case, all the Judges will revolt and the lawyers will also revolt. (Interruptions) Anyway, I am for it.

My last submission is one which nobody will oppose. In the name of foreign trade, the Embassies and Missions here

do buy materials through some third party i.e. agent; and thereby, they give the commission to their respective political favourites. I suggest that the entire purchase should be on a Government-to-Government basis. No third party medium should be there.

You accept all these suggestions. Things will at least be controlled. But I say again that without having a radical, socialist society, or a social revolution, you cannot think of eradicating black money. These are my suggestions.

[Translation]

SHRI MANOJ PANDEY (Bettiah) : Mr. Chairman, Sir, I would also like to throw some light on black money and I shall speak in detail about this subject.

Our budgetary provisions are considerably inflated and the money which is sanctioned is also considerably inflated. You are aware that for a bridge which could be constructed for Rs. 50,000, a budget provision of Rs. 1,00,000 is made. In this way, the Government money, which is white, is turned into black money. This happens at the level of the engineers and the contractors. In this way at many places, the money changes colour merely because of budget allocations. If you look at budgetary provisions regarding irrigation, P.W.D. or roads, you will find that half of the money spent on them has been converted into black money. It is quite essential to look into this aspect.

20.00 hrs.

The second important thing is to check smuggling. Many Members who spoke before me have also said a lot on this subject. I would like to express my views on one particular point. I come from a border area where main business of the people is smuggling. More than half of the people in the border areas are engaged in the smuggling activities.

[English]

MR. CHAIRMAN : Wait for a minute. The time for this discussion is over.

SHRI BASUDEB ACHARIA : The time should be extended.

THE MINISTER OF PARLIAMENTARY AFFAIRS (SHRI H. K. L. BHAGAT) : With your kind permission, I would like to move a motion for extension of time, because there are still 5-6 members who want to speak on this subject. So, I suggest that the time for discussion should be extended by one hour or till all the members are able to finish their speeches ; and then the Minister will reply tomorrow.

SHRIMATI GEETA MUKHERJEE : By what time will the Minister reply to the debate ? Do not push it back beyond the Private Members' Business ?

SHRI H. K. L. BHAGAT : How can it be ? The reply of the Minister will not be beyond the Private Members' Business. It will be before that time. So, I move the motion that the time of the House for this discussion be extended by one hour more to allow the members to complete their speeches or till all the members are able to complete their speeches, whichever is earlier.

MR. CHAIRMAN : So, with the consent of the members present here, the time of the House for this discussion has been extended by one hour that is upto 9 P.M., or till all the members are able to complete their speeches, whichever is earlier, and the Minister will reply tomorrow.

[Translation]

SHRI MANOJ PANDEY : I was saying that smuggling, especially in border areas has become such a lucrative profession that people are earning huge profits and they do not work hard to earn their livelihood. From a labourer to persons belonging to the upper strata of the society have taken to smuggling as a profession. There has been so much degeneration in our social fabric that without reforming it, it would be impossible to check black money. Therefore, the first task should be to have a check on smuggling.

Secondly, our officers at Block level, particularly those who have been entrusted with the implementation of anti-poverty programmes, are converting white money into black money. We should think of measures to check them. Many projects are being implemented under N.R.E.P. and R.L.E.G.P., and funds are being misappropriated. If a check is not exercised over this, the white money would continue to be converted into black money and whatever appears on the surface would prove to be tip of the iceberg. Its basic cause needs to be checked. Without making a change in our social structure, generation of black money cannot be checked. It is a matter of great pleasure that our Hon. Prime Minister is working in this direction and we hope that his efforts would bring about a reduction in black money.

SHRI G.S. RAJHANS (Jhanjarpur) : Mr. Chairman, Sir, I would like to say a few things and would not repeat the points which have already been mentioned. Sir, one wonders that the Public Finance and Policy Committee has come to know for the first time that public expenditure gives rise to black money, when this fact was known to the general public 38 years ago and it has been continuing over the years. We are surprised that the Government have come to know about it for the first time.

Sir, I would request the hon. Finance Minister to issue a questionnaire in the leading newspapers of the country to elicit public opinion about how black money is generated and the measures which should be adopted to eradicate it. Do not take my words lightly, as I am serious and am speaking with full sense of responsibility. The hon. Finance Minister may be ignorant of the ways the black money is being generated in this country and how it can be checked. I would like to give an example. I know how a cement company has accumulated black money. The proprietor of that company used to show fake receipts of the despatch of limestone by the truck which could have been transported through the railways. Even the truck number used to be fake. He

[Shri G. S. Rajhans]

did not even have the goods which he indicated were in the godowns. I know the whole story but I do not want to disclose it. There are thousands of similar cases. I would request you to issue the questionnaire. You will have to appoint 100 to 200 research assistants but it would reveal to you the *modus operandi*. There is a practice in Bihar 'Loot divided by four'. There is a clear nexus between the engineer, the contractor, the B.D.O. or the S D.O. and the Collector and the politician. They generate black money which badly affects the society. A B.D.O. or an Engineer spends at least Rs. ten lakhs on the marriage of his daughter. I would urge the hon. Finance Minister to educate the people about how black money is generated. Our society is conservative and fatalist. If you go to the villages you will find that the poor generally say that a person is rich because it is the will of God. He has to be told that that person has become rich because he has used unfair means to accumulate wealth. If a person steals Rs. 100 or 200, he is sent to jail but if a person accumulates crores of rupees through unfair means, it is said that God has given him money. I am speaking with full sense of responsibility that if black money is not checked in time the country's democracy will be in peril. Only those non-political people would contest elections, who have crores of rupees and can defeat others on the strength of their money. Along with the recommendations of the Public Finance Committee, the main recommendations of the Wanchoo Committee Report and the Kalder Committee should also be taken into consideration. Some people have objected that the norms for slum clearance will not be implemented. I would like to remind them that during the Second World War, Italy was totally destroyed and then bonds were floated which led to the progress and growth of that country. You have never cared to find out how much black money is generated in the Co-operative Sector. Many big people are involved in it. I would congratulate the Hon. Prime Minister and the hon. Finance

Minister for the raids conducted to unearth black money which has in turn created confidence in the minds of the people. I would like that these efforts should be further intensified and special courts should be set up. The names of the people who possess black money should be announced on the T.V., Radio and in the newspapers. There are people in South Delhi who own as many as six vehicles and several houses. No one knows from where they got so much of money. It is a serious problem and it should be taken seriously.

*DR. A. KALANIDHI (Madras Central) : Mr. Chairman, Sir, I am grateful to you for giving me this opportunity to participate on behalf of my party, the Dravida Munnetra Kazhagam, in the discussion under Rule 193 on the Report about aspects of black money submitted by the National Institute of Public Finance and Policy.

There is no iota of doubt that our hon. Finance Minister is a man of integrity with innate sense of honesty. He has earned a name for upholding laudable objectives in his public life. I wish that all his endeavours in controlling and curbing black money meet with success.

My only regret is that we are still talking about black money even after 38 years of our Independence. I wonder why the Government clothed with all the powers on earth have not taken effective steps in this matter. I would like to recall here what our elder statesman Rajaji used to humourously say that Congress men are responsible for the generation of black money in the country and the pockets of Congress men are so large as to contain industrialists and capitalists of the country. I would again repeat that our hon. Finance Minister's endeavours in curbing black money should meet with success and my best wishes are with him in this matter.

In the papers circulated by his Ministry to the Consultative Committee attached to Finance Ministry, it is reported that income tax authorities conducted 4345

*The speech was originally delivered in Tamil.

raids in which concealed income of Rs. 2507.59 lakhs was seized. But there is no indication as to how much has been refunded. I had in this House during the last session raised openly the reported tax evasion of Rs. 1 crore by the popular actor and ace Director, Shri Bagyaraj, of Tamil Nadu. The authorities did take immediately some steps to unearth the facts of the case. I do not know the reasons why everything died down in the next two or three months. We do not know where the case is. No details have been furnished to the House about this case.

Recently, in Rajya Sabha one AIADMK Member stated that she has no arrears of income tax to pay. But, repeatedly, Shri Janardhana Poojari, our Minister of State, pointed out that there are tax arrears against her name. I want that such contradictory views should not be aired in the Houses of Parliament.

This Report states that in 1983-84 the generation of black money was of the order of Rs. 36,786 crores. In 1980-81, it was about 20,000-23,000 crores. In 1983-84 it had gone up by Rs. 13,000 crores. I am sure that in 1985 this would have gone up to Rs. 50,000 crores.

I would like to make a few suggestions. The Central Government should instil in the people a sense of commitment to the national causes like payment of taxes. If we do not do that, the people will become experts in tax evasion. The Government should also take energetic steps to control prices of essential commodities. If this is not done, it will lead to hoarding, the consequences of which is profiteering. A commodity costing Rs. 10 will be sold at Rs. 40 in black market. The amount of Rs. 30/- will become black money. It will not come to the coffers of Government. Hence I suggest stringent steps for controlling prices of essential commodities.

I want that radical changes should be brought about in the methods of taxation. Presently for one lakh rupees income, one has to pay Rs. 36,000 as tax. For the income of Rs. 2 lakhs, the tax is Rs.

1,36,000. Naturally one is tempted to evade taxes. In my recent tour of USA I had the opportunity to have personal discussions with many Finance Secretaries and Finance Experts. I was told that the income above 70,000 dollars is subjected to 30% tax only. I suggest that the hon. Finance Minister should consider levying such a flat rate of income tax above a certain amount of income. If he goes on imposing taxes, it leads to tax evasion. If there is a flat tax, the tax payer will invest his money in industries and will create national assets. It is mentioned in the Report that the control of economic activities are awesome. The Government have to re-examine this aspect also. There should be a change in the approach of controlling inflationary tendencies.

I would refer to the high rate of customs duty and excise duty. The customs duty is of the order of Rs. 8000 on an item worth Rs. 1000 being brought from abroad. Instead of paying Rs. 8000 as customs duty, there is temptation to have that item from¹smugglers. They charge only Rs. 3000/- and the purchaser saves Rs. 5000/-. The rate of customs duty is an incentive for smuggling. The customs and the excise duty should be fair and just.

As my hon. friend from the Congress Party pointed out, the income tax return forms should be simplified. They are so complex now that without the assistance of an Auditor one cannot fill up these forms. I would also suggest that income-tax raids should not be the be-all and end-all to reduce economic offences. If we resort to frequent incometax raids, the charm is lost. The incometax raids should not be the main source of collecting revenues. If we do that we will be deceiving ourselves.

I am sure that our capable and talented Minister of Finance will consider the suggestions that I have put forth and that he will bring about radical changes in taxation methods so that the generation of black money can be rooted out from the country. With these words I conclude my speech.

[English]

SHRI CHINTAMANI JENA (Balasore) :
Hon. Chairman, Sir, I am grateful to you for giving me a few minutes to speak on this subject of black money. I must congratulate the hon. Minister for his courageous steps to curb the circulation of black money in the country. The measures he has already taken, before the availability of the Report of the National Institute of Public Finance, are abolition of estate duty, reduction in the rates of income-tax, and reduction in the number of income-tax slabs. In addition to these, the Finance Ministry is taking black money as a challenge before them. So, in comparison to the previous years, they have conducted much more raids and seizures as a result of which some remarkable achievement could be noticed. Raids have been conducted on diamond exporters and on tin plate dealers in Ghaziabad, Delhi, Calcutta, etc. Similarly, raids were conducted on jewellery traders where also large quantity of jewellery was seized. Recently the premises of fruit merchants were also raided and a huge amount of money has been seized. Only by criticising the Government, problem will not be solved. The problem of black money is not prevailing only in our country, it is existing in other countries also, both developed and developing. The circulation of black money was there before Independence also. It increased to a great extent during the time of Second World War when money circulation was much more and inflation, etc. were going on. Large amounts of money came into the hands of the people and they wanted to deposit it without reporting it to the Government. So, this black money was in circulation even before Independence. Rather I would say that after Independence when the popular government took some strict measures to curb the menace of black money, people wanted to evade income-tax and, therefore, black money has been increasing day by day. Why it is so? In addition to the other factors which my hon. friends have already told, I must say that our moral standard is also deteriorating day by day. In my mother tongue, Oriya, there is a proverb. The English version of it would be like this. In this

mortal world nobody likes to pay and nobody likes to die. So, it is the psychology of the people that they do not like to pay; they rather want to hide it.

I am submitting certain suggestions for the consideration of the hon. Minister.

The Government may announce such concessions like 50 per cent of the black money amount will be deposited with the nationalised banks for seven years and the rest of the fifty per cent will be paid to the Government as income-tax. This fifty per cent of the amount deposited with the nationalised banks after seven years will be equal to the total amount of black money. In this way the Government will get the entire black money to its exchequer.

Secondly, the payments and donations to the charitable and religious institutions should be taken as legal expenditure.

As per the present procedure, 65,000 rupees is paid annually as income-tax, when the net income taxable is Rs. 1/- lakh per annum. This should be reduced.

The tax-enforcing authorities and Government officials and employees need to be given adequate salary so that they may not be tempted to accept bribes etc.

As per the present system only Rs. 1500/- is paid to the tax-payers for his family consumption per month. That should be increased.

The present policy of allowing Rs. 1/- lakh for building constructions should be increased to Rs. 3/- lakhs.

The tax assessing authorities and officials should be well-trained and that they should be well equipped with vehicles and other modern equipment, because they have to deal with the people who are not only influential, but also moneyed people.

A time-bound programme should be drawn up to assess and levy the income-tax and other taxes.

The hon. Members in the opposition are criticising and criticising, but our hon. Prime Minister has correctly told them that this black-money circulation can be curbed only by the cooperation from all sections of the people, from the opposition and also from the traders, businessmen etc. I must request the opposition friends to kindly cooperate with the Government so that this black money circulation can be curbed.

[Translation]

SHRI ANADI CHARAN DAS (Jaipur) : Mr. Chairman, Sir, many hon. Members have expressed their views on the problem of black money. I would not like to say much in this regard because the day the hon. Finance Minister took over this department he had initiated very good steps in this direction because he had been told by the Hon Prime Minister that there was need for political will to solve the issues. The progress we have made is due to the political will we have exhibited and it clearly indicates that we shall progress a lot in future also.

I thank you for the effective steps that have already been taken and the steps proposed to be taken in this regard.

I have a few suggestions to make before the House, in brief. The first suggestion is : one family one job. Necessary provision should be made under the law to provide one job to each family. My second suggestion is : one family one residential house. The private parties or private concerns should not be allowed to transact in residential houses. All the houses should be taken over by the Government and these should not be left in private hands. Every family should be provided with a house.

Physical verification of the property statements submitted by the Government servants should be made every year to verify their veracity. It would help in checking malpractices.

Besides, I would suggest that there should be a ceiling on movable and im-

movable property. If some such ceiling is imposed, the tendency in the people to conceal income will be curbed. Moreover, no one should have excessive wealth. Banks have been opened in every village. Government should enact laws to impose ceiling on the amount of money one can keep in one's house. The same should be true in the case of a company. A ceiling should be imposed. This would help in checking the generation of black money.

So far as demonetisation is concerned, it is a difficult step. If 100 Rupee notes are demonetised, only then it would serve some purpose.

I would also suggest a ceiling on earnings which should not be more than Rs. 2 to 3 lakhs for each family. If anyone earns more than that, the Government should take it away because the objective is to benefit not a few but all the families. Therefore, if anyone has property which exceeds the limit fixed by the Government, it should be taken over by the Government.

I would also suggest that the land reforms should be strictly enforced in the country. Besides, all the smuggled goods which are confiscated should be burnt immediately. Why do you allow such goods to be sold? They are not our own goods and the entry of such goods in our market is a national loss. Our workers do not get employment, as a result of this and, therefore, the smuggling of such goods should be immediately checked.

The subsidy portion of the loan which is granted under the IRDP should be converted into interest free loan, though it can be recovered at a later date. Thought should be given to it in this House and at the administrative level too. It is necessary because it would help in checking the misappropriation that is taking place therein at present.

Government should pay attention to the black money generated by big industries and monopoly Houses. Other hon. Members said many things in the House and I believe there is also a need for social

[Shri Anadi Charan Das]

reforms. Our countrymen are becoming fatalists and, therefore, there is immediate need for social reforms. With these few suggestions, I thank you for giving me this opportunity to speak here.

SHRI MANKURAM SODI (Bastar) : Mr. Chairman, Sir, an interesting debate has taken place in the House and in our party meeting with regard to the Report presented by the hon. Finance Minister on black money. The steps taken in this direction are really appropriate. There are people who indulge in unfair activities with brazenness. The steps that you have taken have created a stir in the country and lakhs of people are spending sleepless nights. These steps are indeed drastic but there is no need to look back, particularly when the people of this country have expressed their solidarity with Rajivji and have encouraged him by giving him full support. You too would get the same support. The common people will support you but you should bear in mind that you will have to check the situation before it takes a turn for the worse. The things which have happened in the past are on the national level, but I would like to tell you what is happening at the lower level.

I would cite an example to illustrate my point. The staff and the officers in the Income Tax and Sales Tax Departments get a fixed amount every month from the people indulging in tax evasion. Even the peon gets that amount. It is known as *Mahawari*. Whenever there is a surprise check, the informers in the department warn the affected party to keep their accounts in order. In this way the checking Inspector does not find anything incriminating. A close watch will have to be kept on the staff which receive the *Mahawari* amount and it will have to be stopped—whether it is of the Income Tax Inspector or the Sales Tax Inspector or the Peon in the office. Surprise checks and raids will have to be conducted. The surprise raids would automatically put an end to payment of the *Mahawari* and the due amount would go to the State Exchequer. I would like to add that the amount of reward to the Government informer should

be raised so that he may work more zealously to expose the guilty. Thereby more money would be deposited in the Exchequer.

After a raid is conducted, a lengthy procedure is followed before the date for hearing is fixed. In the first instance, scrutiny is conducted, Demand Notice is served and then the date is fixed for hearing of the case. It is, therefore, essential to have counter vigilance because it is at this stage that the parties enter into a deal to share the unaccounted money. The raiding party is made to understand that they will not get any reward for their catch. Man is greedy by nature and as they think that there is no witness to this deal, they strikes a deal for 50 : 50.

If surprise raids are conducted only then it will work. Absolute secrecy should be maintained about it. The *Munim* and the servants of the house where search is conducted should be taken into confidence and secretly asked if deals have been struck during the night. Rs. 10,00,000 worth of goods are seized and the deal is struck at Rs. 500,000. The '*Mahawari*' will have to be stopped immediately. We ourselves do not have good intentions and we are helping the industrialists in expanding their empire by constructing more buildings. The black money is degenerating the society. But still we hope that the steps that have been taken would help in reducing the black money in the country and we expect that you would be successful in your endeavour.

SHRI NARAYAN CHOUBEY (Midnapore) : Our hon. Finance Minister is fair complexioned but he is going to stamp out black money. I welcome it and wish him success. He is well aware that worms do exist in the slush. Capitalism is a slush and he will have to work against it while remaining within it, however clean he may be himself. The suggestions given by Shrimati Geeta Mukherjee and Shri Priya Ranjan Das Munsri regarding motivation should be borne in mind and implemented. Otherwise, suggestions given by our colleagues will go in vain and it would not be possible for him to act on them despite his being straightforward, clean

and sincere. If there is no motivation, there would be no mass support and we would not get success. Until we propagate the idea that black money will not be encouraged, that socialism will be brought about in the country, that poverty will be eradicated and poor will be uplifted, we shall not achieve success. Our present hon. Finance Minister may be good at heart and may be straightforward and sincere but who knows that tomorrow we may have a bad Finance Minister who may encourage black money.

I would like to remind you of the 1943 Bengal famine. Forty lakh people had then starved to death. At that time, all the leading Congress leaders were in jail. When Panditji was released in 1945, he declared that had it happened in free India he would have hanged the black marketeers by the nearest lamp-post. In 1947, we achieved independence but the few executions that took place were those of the workers and farmers. I cannot recall even a single case where a black-marketeer was hanged and I believe you too will not be able to do so. An M.P. with black money enjoys more respect than the M.Ps. who are not wealthy.

SHRI MANKURAM SODI : A wealthy man is honoured everywhere.

SHRI NARAYAN CHOUBEY : Whatever little steps he has taken are not adequate. We have a saying in Bengal which goes like this. There was a daughter-in-law and a mother-in-law in a house. The mother-in-law had Filaria which caused swelling in her feet. She used to warn her daughter-in-law that if she got furious she would kick her, but she did not do so. The daughter-in-law was afraid of her. One day the mother-in-law kicked her daughter-in-law and the latter realised that it was not painful at all. Similarly, our kick to the capitalists and those who possess black money is as painless and ineffective as the kick from a diseased foot. It would be effective only when you wear football shoes and kick them.

THE MINISTER OF FINANCE AND
COMMERCE (SHRI VISHWANATH

PRATAP SINGH) : That shoe is being made.

SHRI NARAYAN CHOUBEY : It is not yet ready and the order for manufacture would also go abroad and in that deal also some people will make money. I would not like to say much in this regard, I would only like to point out that the steps that you are taking will not be effective. The law has many loopholes and it is ineffective. The report on civil liberties will be made public and you will not be able to do anything. At least demonetise 100 rupee notes about which everyone is making a demand. This you should do. You have become Minister for a period of five years but no one knows when you may be changed. Who knows of the future ? If you do a good deed, may be a thief or vested interests may report against you and then you may be forced to resign.

You propose to introduce the Lokpal Bill. Why is the Prime Minister being kept out of its jurisdiction ?

AN HON. MEMBER : Leave it. You speak on the subject.

SHRI NARAYAN CHOUBEY : Why should I leave it That is also linked with it. I would like to remind you that in 1970-71, the then Prime Minister Indiraji tried to nationalise the wheat trade but it did not work even for a year and the law had to be amended after six months. The senior Members know about it. It so happened that the big people started raising a voice against it and therefore it had to be withdrawn. I would, therefore, request you to wear football shoes and kick one or two of them. At least demonetise 100 rupee notes.

A due notice may be given beforehand but it must be done. You would see for yourself what happens. Why do you not listen to our counsel ? There is a saying in Bengal that you may abuse me as much as you wish but I have stuffed my ears with cotton and again, you may beat me as much as you like as I have put

[Shri Narayan Choubey]

'Supa' on my back and, therefore, it is all ineffective. We may cry as much as we wish but you will not listen to us. We are having a debate on the measures that have been adopted to combat and eradicate black money and we have a notice on behalf of Shri Janardhana Poojary which announces the number of tax exemptions that have been granted. There will be no end to black money till the policy formulated in the Budget is not changed. You cannot stop the process of proliferation of black money though you may be able to unearth a part of it.

I conclude with these words, and thank you for giving me this opportunity to speak here.

[English]

SHRI GIRIDHAR GOMANGO (Koraput) : Mr. Chairman Sir, I would only like to suggest three or four points.

Firstly, when there was barter economy in the country, there was no black money. The barter economy still exists in tribal areas. It also exists in foreign trade. Hon. Members have spoken about the demonetisation of one hundred-rupee note. Their intention may be that instead of carrying hundred rupee notes people may carry ten-rupee and twenty rupee notes so as to make it a little more heavier by which they will be caught !

(Interruptions)

The meance of black money lies in the formula of ABC. 'A' stands for accumulation of capital. 'B' stands for black marketing, 'C' stands for corruption. These three are mainly responsible for generating black money in the country. When we are attempting to eradicate the black money, we have to take these steps one by one. First we have to stop the accumulation of capital and check black marketing as well as corruption at different levels.

Sir, when our party deviced the 20 point programme, the 19th point was

checking the black money. Our party and our Government is committed to check the black money in whichever form it may exist.

Sir, we have not yet imposed ceiling on individual property. We can impose ceiling on land. Ceiling on property should also be there. I would like to know whether we can bring any legislation to impose ceiling on mind and desire of the individual. I think neither Government, nor God himself can impose ceiling on mind and desire. But we are trying to impose some ceiling on the minds of the people by bringing about legislative measures and administrative measures.

In all humility I would suggest some steps in which the Government should take to eradicate this menace.

Sir, our friends have suggested that if there is socialism the black money will be stopped. I am of this view : let there be any system, as long as honesty is not there black-money will remain. We are talking of socialism. We can talk at length of capitalism or any 'ism' but any 'ism' cannot be successful unless you stop escapism. What is escapism ? If the politicians escape from the reality by blaming each other and if the officials escape by shifting responsibility then no 'ism' will succeed.

What is black money ? You can compare black money with God. As God is not seen so as black money not seen but as we believe God is there so everybody is saying there is black money. What is needed is to check the black money at different levels. How can we check the black money ? You have to strengthen the financial administration by which the implementation of these proposals will be fulfilled. What is administration ? Administration should have—the attitude, the approach, the accountability, the appraisal and answerability to the people.

Lastly I will conclude by saying that why this has not been done. They will say implementation is wrong. Everybody says implementation is wrong but who will

implement it. We have to implement. The question before us is of implementation. Anything can be developed if there is a good infra-structure. Likewise implementation can be done if there is good infra-structure for implementation. The infra-structure for implementation should consist of : (1) interpretation ; (2) implication ; (3) intention ; (4) impact; and (5) importance. The implementing agencies on whom you have given responsibility—we should have to see whether they have got interest, involvement, incentive, initiative and proper instructions.

I conclude with the hope that the implementation part which is the vital part will be re-vitalised and administrative structure would be changed according to the need of the hour. With these words I conclude.

MR. CHAIRMAN : So, Members have spoken. Now, the hon. Minister will reply tomorrow.

20.47 hrs.

BUSINESS ADVISORY COMMITTEE

Twelfth Report

[English]

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI GHULAM NABI AZAD) : Sir, I beg to present the Twelfth Report of the Business Advisory Committee.

PAPERS LAID ON THE TABLE

[English]

THE MINISTER OF FINANCE AND COMMERCE (SHRI VISHWANATH PRATAP SINGH) : Sir, on behalf of Shri Janardhana Poojari, I beg to lay on the Table a copy each of the following Notifications (Hindi and English versions) issued under the Central Excise Rules, 1944 :

- (1) Notification No. 186/85-CE published in Gazette of India dated the 22nd August, 1985 together with an explanatory memorandum making certain amendment to Notification No. 123/81-CE dated the 2nd June, 1981 so as to provide that the goods manufactured by Hundreded Percent Export Oriented Undertakings and supplied to ONGC projects in India against global tenders shall be exempted from the whole of the duty of excise leviable thereon subject to the conditions specified in the notification.
- (2) Notification Nos. 187/85-CE and 188/85-CE published in Gazette of India dated the 22nd August, 1985 together with an explanatory memorandum seeking to provide excise duty exemption on excess production of sugar produced in a factory during the period from 1st October to 30th November, 1985. [Placed in Library. See. No. LT-1380/85].

20.48 hrs.

The Lok Sabha then adjourned to meet at Eleven of the Clock on Friday, August, 23, 1985/Bhadra 1, 1907 (Saka).