[Kumari Selja]

Sarnath, Varanasi, for the year 1990-91

(ii) A Copy of the Annual Accounts (Hindi and English) versions of the Central Institute of Higher Tibetan Studies, Saranath, Varanasi for the year 1990-91 together with an Audit Report thereon

(iii) A copy of the Review (Hindi and English versions) by the Government on the working of the Central Institute of Higher Tibetan Studies, Saranath, Varanasi for the year 1990-91

(6) A statement (Hindi and English versions) showing reasons for delay in laying the papers mentioned at (5) above

[Placed in Library See No LT-2489/92]

(7) (i) A copy of the Annual Report (Hindi and English versions) of the University Grants Commission, New Delhi, for the year 1990-91, under section 18 of the University Grants Commission Act, 1956

(ii) A copy of the Review (Hindi and English versions) by the Government on the working of the University Grants Commission, New Delhi, for the year 1990-91

(8) A statement (Hindi and English versions) showing reasons for delay in laying the papers mentioned at (7) above

[Placed in Library See No LT - 2490 /92]

14.39 hrs.

STATUTORY RESOLUTION *RE* DISAPPROVAL OF FOREIGN EXCHANGE CONSERVATION (TRAVEL) TAX ABOLITION ORDINANCE AND FOREIGN EXCHANGE CONSERVATION (TRAVEL) TAX ABOLITION BILL) 1992 - *CONTD*

[*English*]

MR DEPUTY-SPEAKER Shri Sobhanadreeswara Rao Vadde

SHRI SOBHANADREESWARA RAO VADDE (Vijayawada) Mr Deputy-Speaker, Sir, I beg to move

> ' That this House disapproves of the Foreign Exchange Conservation (Travel) Tax Abolition Ordinance, 1992 (Ordinance No, 8 of 1992) promulgated by the President on the 29th May, 1992 "

Sir, I feel that this measure of abolition of foreign ' exchange conservation relating to the travel tax is premature The reason as to why this travel tax was imposed in 1992 was to discourage the foreign travel and atleast to some extent conserve the precious foreign exchange Now, abolition of this tax will negate the objectives with which this was introduced Now, the balance of payment's position has improved to some extent definitely from the situation which was there some time back, but still it can be taken as a temporary phenomenon and still we are not out of the woods We have to make all-our efforts to increase our foreign exchange reserves Even the targets for exports were not realised There is some gap in the targets and the actual achievements This year, unfortunately, the nature is not kind enough in different States and a drought situation is there in different parts of the country I fear that we have to import food grains and some other agricultural products including edible oils Because of the good results of the technology mission on oil seeds, in recent times out import bill has come down But, still we may have to spend some money So in these circumstances, I feel that abolition of this Foreign Exchange Conservation (Travel) Tax Bill is not taken at a right time

Now, the Government is going ahead with the liberalisation programme It has announced several policy measures in the economic, industrial and trade fronts But, when we examine the experience of some other countries where this liberalisation process has already been attempted one particular phenomenon that is observed is that their balance of payments position also has further worsened There were some gains in some sectors But at the same time, it is also a fact that their balance of payments position has further accentuated We have to keep that also in mind

As the hon Members are well aware, from 1985 onwards because of certain policy measures that have been taken by the then Government and the subsequent Governments our foreign exchange reserves have gone down to the lowest ebb The value of the rupee also has gone down In 1980 81 while the rupee per US dollar was Rs 7 89, by 1985-86 it has gone down to Rs 12/ From 1986-87 to 1991-92, it came down to Rs 25/-, that means more than 100 per cent So, I hope, the Government will keep all these factors in mind The growth rate in foreign exchange earnings from export of goods and services by public sector undertakings was lower in 1991 It was 11 5 per cent as compared to 30 per cent and 17 1 percent respectively in the two proceeding years Now, the foreign exchange reserve are nearly 6 billion It can only give some consolation that it is better than earlier But still a small country like Taiwan is now having eighteen billion dollars in foreign exchange reserves surpassing Japan and USA Even our neighbour China is having a huge volume of foreign exchange reserves the Government has some time back liberalised the Foreign Exchange Rules and may fear is that with this relaxation the authorised foreign exchange dealers can sell foreign exchange to the members of various delegations of trade organisations, etc going abroad So there should be some restraint on this The rule relating to the ceiling on release of foreign exchange for import of capital goods was also withdrawn by the necessary Bank of India on 17th March, 1992 All these measures which have been taken by the Government may lead to depletion of our foreign exchange reserves

I urge upon the movement to take all possible steps to further increase our export earnings No stone should be left unturned in that endeavour The Government may contemplate abolishing this Foreign Exchange Conservation (Travel) Tax only at the point of time when we have reached the stage where we need not bother any more about the balance of payments and where we have enough of foreign exchange reserves with us

With these words, I oppose the Ordinance that was promulgated as Ordinance No 8 of 1992 Thank you

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR) Sir, this is regarding abolition of Foreign Exchange Conservation (Travel) Tax Bill, 1992 The tax at the rate of fifteen per cent was introduced to the Finance Act, 1987 with a view to conserve foreign exchange and discourage foreign travel This came into force with effect from 15th October, 1987 The tax was applicable to foreign exchange releases for all types of travel, except traval in connection with medical treatment, higher education and pilgrimage

Government have been receiving representations from time to time for the abolition/exemption from the said levy in respect of foreign exchange releases for travel abroad under various schemes like Returning Indians Foreign Exchange Entitlement Scheme, Foreign Travel Scheme, as also foreign visits for export promotion etc With the introduction of the Liberalised Exchange Rate Management System, the foreign exchange for travel abroad is now

[Sh Rameshwar Thakur]

required at market rate The levy of fifteen per cent on foreign exchange obtained at market rate makes the effective cost of the foreign exchange so obtained quite high It was, therefore, considered necessary in the general public interest and in line with the new economic policies of the Government to abolish the levy of fifteen per cent on foreign exchange releases for all types of travel with effect from 1st June, 1992

As Parliament was not in session, the President promulgated the Ordinance abolishing the said Tax The Foreign Exchange Conservation (Travel) Tax Abolition Bill 1992 is to replace the said Ordinance

I beg to move*

> That the Bill further to amend the Finance Act 1987 be taken into consideration "

MR DEPUTY SPEAKER Motions moved

> That this House disapproves of the Foreign Exchange Conservation (Travel) Tax abolition Ordinance, 1992 (Ordinance No 8 of 1992) promulgated by the President on the 29th May 1992"

> That the Bill further to amend the Finance Act, 1987 be taken into consideration"

There are amendments to the consideration motion Shri Giridharlal Bhargava may move his amendment

[*Translation*]

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

> That Bill be circulated to elicit public opinion thereon till November 4 1992 " (1)

[*English*]

MR DEPUTY SPEAKER Shri Dau Dayal Joshi is not here to move his amendment Shri Prithviraj Chavan may speak now

SHRI PRITHVIRAJ D CHAVAN (Karad) Mr Deputy Speaker, Sir, I rise to support this Bill which seeks to abolish the foreign exchange conservation travel tax An ordinance was promulgated which had, in fact, abolished this tax with effect from 1st June, 1992

This tax was introduced in the Finance Act, 1987 when late Shri Rajiv Gandhi presented the Budget The tax sought to levy a charge of 15 per cent for all foreign exchange purchased for purposes of travel abroad There were some exceptions and these were for persons going abroad for medical treatment including to an attendant if permitted by R B I for people going abroad for studies and for pilgrimage purposes, for people travelling for Haj pilgrimage, travel to Sikh shrines in Pakistan and Bangladesh and also for people travelling for visit to Mansarovar

The purpose of this tax was two-fold One was to discourage unnecessary travel abroad, discourage ostensible spending abroad and also to earn some revenue in the process When the Finance Act was passed it was anticipated that a revenue of Rs 60 crores would be earned Actually in 1990 91 there was an earning of Rs 73 crores from this tax and in 1991-92 the earning was Rs 81 crores In 1992-93 Budget the expected revenue from this source was Rs 88 crores Therefore, by abolishing this tax we stand to lose about Rs 88 crores

But if you look at the rationale for this tax which was to discourage travel abroad, we have to look at the present situation In this year's Budget we adopted a system of partial convertibility of rupee and we brought in the system of liberalised exchange rate management system, where we have gone officially to a duel exchange rate mechanism

*Moved with the Recommendations of the president

We have a market rate which is determined by day-to-day market transactions of demand and supply and we have an official rate Continuing this tax would make it a triple-rate system, because, in effect we, will be having a third-ties of rate of exchange for people travelling abroad

Already after the July, 1991 foreign exchange adjustments, or devaluation, there was nearly 23 per cent devaluation with respect to U S dollar and Pound Sterling Subsequent to that there was a floating exchange rate mechanism which gradually raised the rate of exchange

Let us now see what was the rate of exchange in 1987 when this tax first was introduced We will know, during the years of Shri Rajiv Gandhi, 1985-1989, there was a substantial stability of exchange rate During the entire year 1987-88 the rate of U S dollar with respect to rupee was about Rs 12 90 That was stable about a year From Rs 12 90 when this Bill was introduced in 1987, what is the situation today?

As a result of devaluation in 1990-91 and as a result of partial convertibility mechanism and LERMS mechanism, where we introduced the PCR regime, in April, 1992 the market rate of U S dollar had gone to Rs 31 If you add the 15 per cent tax travel on this, it goes to Rs 36 per U S dollar So we consider the original cost when this Act was introduced to discourage unnecessary foreign travel The rate of dollar was Rs 12 90 paise and today a person going abroad has to pay Rs 36/- a dollar So, the primarily the purpose of discouraging unnecessary foreign travel has been at least achieved

The next thing is some revenue will be reduced Rs 90 crore revenue this year On the one hand we are going for simplification of procedure We are simplifying everything where the bureaucratic interference in that day-to-day life and business is sought to be eliminated What this Act did in fact was it had introduced the whole regime of rules and there were powers to exempt the tax and there were powers to waive the penalty All sorts of rules and regulations come whenever any special system is introduced I would like to ask the Government, was any one convicted of this Act because the penalty was only 100 per cent of the tax evasion? I do not think anybody was really convicted under this We had a lot of rules and regulations under this Act So there is full justification both from the point of view of the need to avoid unnecessary travel abroad, we have already raised the foreign exchange rate to a situation where it is almost prohibitive to travel abroad by paying Rs 36 to a dollar What the Government has done is that it has removed this 15 per cent surcharge, people will have to buy the foreign exchange at market rate which at present is Rs 30 to a dollar for travel abroad

Sir, when India wants to become a global player, we want to complete with the international manufacturers businessmen, the need to travel abroad is a necessity now and we cannot penalise foreign travellers who want to go for justifiable purposes for doing business and to promote exports Therefore, there is absolutely full justification for withdrawal of this tax which simplifies the exchange rate mechanism also

Sir, this Bill gives us an opportunity to examine the working of the partial convertibility of the rupee and the LERMS mechanism which came into being in the budget of 1992 Sir, foreign exchange reserves as of June 1992 are nearly six billion dollars This was up from a low of 1 2 billion dollars in September 1990 during the Gulf war It had further gone down to about 1 1 billion dollars in June 1991 But Sir, this is deceptive The figure is very healthy but it consists of about 1 6 billion dollars which has come in the form of India Development Bonds, 0 8 billion dollars are through the immunity scheme which we had launched last year and the net aid less the debt service and amortisation costs is 1 8 billion dollars which includes 300 million dollars of World Bank's structural adjustment loan So, the amount of nearly 4 2 billion dollars is in terms of either India Development Bond for the aid which is a loan The net increase in the foreign exchange by merchandise trade is not very healthy, but still the figures of six

[Sh Prithviraj D Chavan]

billion dollars of foreign exchange shows very clearly the confidence in India's economy Unfortunately, Sir, wheneverthere is trouble in the country either in the form of socially disturbed conditions due to the religious fevour, the mandir agitation or whatever, the NRI deposits tend to flow out of the country Last month we had serious problems on hand, thanks to the Prime Minister, we have resolved this problem and we hope to come out with an amicable solution to the mandir issue -there was a net outflow of foreign exchange, flight of capital from the country A lot of proposals for foreign investment which were under way got stalled on the way It is very important, Sir, that this new policy seeks to attract foreign investment, but if social conditions are not conductive foreign capital will not come and as a matter of fact, the NRI deposits will fly away I also would like to take this opportunity to draw the attention of the House to another travel tax We have foreign travel tax which imposes a tax of Rs 300 on every ticket on travel abroad and Rs 150 on travel to neighbouring countries

15. 00 hrs

This tax also needs to be reviewed I think if we are going to waive or abolish the Foreign Exchange Conservation Tax, even this foreign travel tax also needs to be looked at We earned Rs 90 crores in 1990-91 through this tax I think, there is a full justification for withdrawal of this tax

My last point is about the partial convertibility problem We have a regime of partial convertibility, but there are disturbing reports that the World Bank will not release the next tranche of loan, unless we move to full convertibility immediately Yesterday or day-before yesterday, there was a report in the papers that some high official of the RBI has gone on record and told the people that we will been moving to full convertibility very soon We need a clarification from the Government as to what the Government is thinking on the full convertibility Are we working under pressure from somebody or can the Government convince us that moving to a regime of full convertibility very soon is in the national interest?

Finally, I commend the Bill to the House and I except that there will be universal support for this Bill which is in the nature of simplification of procedure

SHRI KARIYA MUNDA (Khunti) Mr Deputy Speaker, Sir, on behalf of our group of Janata Dal, I want to know the time allotted to our group which consists of four hon Members of this House I also want to know the time allotted for all the parties

MR DEPUTY SPEAKER The total time allotted for this item is two hours In that, the Congress (I) gets 51 minutes, BJP gets 25 minutes, Janata Dal gets 12 minutes, CPI (M) gets 7 minutes, etc

THE MINISTER OF PARLIAMENTARY AFFAIRS (SHRI GHULAM NABI AZAD) Mr Deputy Speaker Sir, today we had a meeting of the Whips of all the political parties and keeping in view the paucity of time and the number of Bills pending before the House, we have unanimously agreed upon to finish the business as per the time allotted by the Business Advisory Committee That is the unanimous decision of all the Whips (*Interruptions*)

[*Translation*]

SHRI GIRDHARI LAL BHARGAVA (Jaipur) Mr. Deputy Speaker, Sir, I am on my legs to express my opinion on this Bill in two respects First, I want to oppose the ordinance through which hon Minister has sought to abolish 15 per cent tax and secondly, I would like to support the Bill introduced by the hon Minister I am submitting that during 1987-88 the then Prime Minister late Shri Rajiv Gandhi who was at that time holding the charge of Finance Ministry also had imposed tax in this very Lok Sabha

[*English*]

"I propose to levy a modest tax of 15 per cent on foreign exchange released in India for foreign travel

[*Translation*]

Moreover concession was given to those who want to go abroad for the purpose of medical treatment and education It was estimated that this tax would realise Rs 60 crore Now, the hon Minister should tell us whether the amount of money recovered is Rs 60 crore or more The hon Minister should clarify whether the amount deposited by the people in foreign exchange after issue of this ordinance will be returned or will be utilized in the national interest after with drawing this ordinance

If somebody wished to seek foreign exchange work Rs 10,000 he had to pay an extra amount of Rs 1500 Now the Government has decided to abolish this practice I support this Bill on behalf of my party Bharatiya Janata Party, but I do not support the ordinance I am talking about the ordinance because the Government has said that it will abolish it from June 1,1992 This tax was imposed on 15th October 1987 The Government continued to realise this tax from October 15 1987 to June 1 1992 Now it says that

15.06 hrs.

[MR TARA SINGH *in the Chair*]

[*English*]

The decision to abolish the tax has been taken following the introduction of partial convertibility of rupee and the liberalised Exchange Rate Management System (LERMS) under which foreign exchange for travel has to be obtained at market rate "

[*Translation*]

Therefore, you are going to abolish it A provision has been made to charge fine from the defaulters Moreover, it has been said that the Government proposes to impose a negligible 15 per cent tax of on the foreign exchange released in India to those persons who go abroad withview to earn revenue and save foreign exchange The foreign exchange released for the purpose of education and treatment in foreign country will be exempted from this tax This notification will be enforced from the date of its issue This is estimated to earn revenue of Rs 60 crore Provision was made to charge fine from those who failed to pay it The foreign exchange became partially convertible and it was made obligatory for foreign visitors to obtain foreign exchange at market rate From this point of view 15 per cent tax should have been abolished right from the date the Government issued this order In my view the amount recovered by the Government during that period is improper This ordinance was issued very late

[*English*]

'An ad hoc tax 15 per cent on foreign exchange drawn by Indian travellers was introduced a couple of years back With the partial convertibility of the rupee and making it obligatory for travellers to buy foreign exchange in the open market, this tax should have been removed on the same day

[*Translation*]

This tax should have been abolished with effect from the date of its issuing My submission is that in view of the convertibility of the rupee at devaluated market rate, if a foreign visitor or multi-national comes to India, he enjoys every sort of concessions, but Indian businessmen enjoy no concessions It means that the Indian have no relaxation in foreign exchange Regulation Act but foreign visitors who come to India enjoy it The conclusion of this whole thing is one should come her as a tourist only In my view this was the case My submission is that you have displayed its liberalised view regarding economic policy in its Budget-speech on the 29th February You continued to realise this tax even upto the month of June In other words, the Government went on realising tax four months What happened' to it after all these declarations? If the Government was determined to do it as it

[Sh. Girdhari Lal Bhargava]

stated in the Budget, that it was going to abolish quota, permit and licence system, give exemptions in privatization and it would provide all sort of encouragement to private sector and the public sectors too and not even this the Government permitted the NRI's to bring gold from foreign countries. What was the purpose to levy tax on foreign exchange? The Government should definitely clarify it. My submission now is whether the position of foreign exchange reserves has improved for which it levied tax from October, 15, 1987 and promulgated an ordinance on June 1, 1992. It would have been better if all these things would have appeared in its Budget-speech made on the 29th February. Its consequence too would have been better. Since the Government has declared all these things too late through its ordinances on 1st June. I have moved a motion to repeal this ordinance. Since, the Government introduced this ordinance after realizing tax four months, I oppose it. Moreover, has the position of foreign exchange reserves been improved due to collection of this tax in this period? How this money realised as the above said tax will be utilised? Will the Government return, the money, inform the persons concerned or how you will utlise this money collected as tax through unfair way during four months? It should certainly clarify all this in its reply. The second thing is that since lct of relaxation has been given in the foreign exchange rules, no person, whether he is a government official, public sector official, or an Organisation or an individual going abroad, should get foreign exchange at the control rate. A lot of discussion has been going on in the country regarding stock market. Foreign exchange worth Rs. 110 crore has gone out of the country. What is the government doing about the foreign exchange which is going out-this should also be clarified by the Government. That is why I oppose this ordinance. Through this Bill the honorable minister has made a provision of 15% exemption which we also have been demanding. Several associations have also been making this demand. So we welcome it whole-heatedly, on hebalf of our party, I would like to know from the Government as to how much amount has been received illegally during the period of four months, whether this amount would be returned to the people or it would be utlised in a better way. The hon'ble minister should clarify these points in his reply in a positive manner.

I think you for giving me time to speak and conclude my speech.

SHRI MOHAN SINGH (Deoria): Mr. Chairman, Sir, I thank you for giving me an opportunity to speak on this bill, and I would like to express my views on this bill. What was the reason for imposing a 15% tax on those who used to go abroad after obtaining foreign exchange from the Government while presenting the Budget in 1987? The then Prime Minister and Finance Minister Shri Rajiv Gandhi had stated two reasons for imposing this 15% tax. The first reason was that persons going on foreign trips should be discouraged from going on foreign trips unnecessary, and augment the foreign exchange reserve of our country. The second objective was that by imposing this tax, our foreign exchange reserve would increase to some extent and thus he envisaged that the country would gain 60 crore of rupees every year. But as per the latest reports, this amount has gone up to Rs. 90-91 crore instead of Rs. 60 crore. By abolishing this tax now there may be two losses. Firstly, you will lose the revenue of Rs. 90-91 crores in your Reserve found and secondly the foreign exchange Reserve of India will decline automatically due to adverse balance of payment. The people shall automatically get encouragement to go on foreign tours and they will try to get foreign exchange from your Reserve. So at first, I would like to know from the Government whether it has any such plan, any criteria on any method of control through which it can introduce a system which may remove the difference between the official rate and the market rate of foreign currencies. If you are not able to remove this difference and the market rate is 8-10 rupees more than the official rate of exchange, is it necessary to continue this scheme? If this is not so, the government should devise a process so that there should be no difference between the official rate and the market rate of exchange and it should be the same. If it is not like this, then I suggest that this tax should be continued.

Secondly, I would like to point out that the government is giving this argument that now the balance of payment position is all right. I would like to tell you in polite words that till a year back, our country sold abroad 66 tons of gold to maintain the balance of payment position in return we got 600 million U.S dollars. It shows our critical condition in this respect, and even at that time we had a reserve of only 3077 million dollars. The Government claims that within a period of one year the position of foreign exchange reserve has become all right and we have a reserve of nearly 5700 million dollars now in our foreign exchange reserve fund. If some people want to go on foreign trips and make request for releasing some foreign exchange, it will not have any effect on our foreign exchange reserve.

In this connection, I would like to point out that it is not our hard earned foreign exchange reserve, which has increased from three thousand million dollars to 5,700 million, dollars this is not the money earned by us through our hard work, export or by setting up industries and expanding our occupations in foreign countries. If this government wants to create this kind of an atmosphere in the country, then I think it is absolutely wrong. What kind of money do you have today? This amount has been given as a loan by I. M. F. and you call it as aid, while we are paying interest on this amount. If the Government terms it as an aid I have strong objection to use of this word.

The Government should state clearly under what extraordinary circumstances, it took so much loan from the International Monetary Fund, what is the rate of interest on it and in how many instalments it has to be repaid. If we consider it as earned money, through our own hard work or through certain schemes and take it as our foreign exchange reserve, then I think it is wrong.

Secondly, the other source was the money received through India Development Bonds which added a sum of 1605 million dollars to Reserve fund. The third source of contribution as due to certain relaxation which we provided in some of our schemes i.e. Immunity Scheme etc. This source added a sum of 793 million dollars to our foreign Exchange Reserve. It means whatever reserve we have got today it is not our hard earned money. If we consider it as our hard earned money and spend lavishly like this, then we will be taking a wrong step. If we borrow money from the Non-resident Indians through some schemes by giving them certain relaxations and inflate our reserve through these means and consider it as our own hard earned money, and spend it lavishly, then it is certainly a wrong and immoral step.

That is why I oppose this bill on two or three grounds and I would like to demand three things from the government that in the matter of spending foreign exchange, there is a need to create an atmosphere of simplicity in our country. Those people who go abroad for the purpose of certain special kind of enjoyment, should not be allowed to take foreign exchange from the Government at any cost. The Government should impose a ban on providing any amount from our foreign exchange Reserve. This is my demand from the Government that if such people want to go abroad for enjoyment, they may take foreign exchange from the market. If they do so we have no objection.

A few days back a question was raised in this House. It was asked whether any ordinary person or a person who is living below the poverty line, had gone abroad in connection with his treatment, then we were told that no such person went abroad to get treatment. So such people are unable to get the benefit of foreign exchange release. This facility is only given to those who belong to the elite class; they are the only ones who go to foreign countries for their treatment. Although all kinds of treatment facilities are available in our country yet some members of the elite class go abroad for treatment. Thus to sent some people of the elite and affluent class abroad and provide them foreign exchange at cheaper rates for getting treatment there is a big mockery of the

[Sh. Girdhari Lal Bhargava]

resources of our country.

Mr. Chairman, Sir, thirdly I would like to say that there is a lot of difference between the market rate and the official exchange rate. Such arrangements should be made to remove the difference between these two rates so that the elite class of this country buys foreign exchange from foreign countries to go abroad for the purpose of enjoyment and extravagance.

With these words I conclude my speech.

[*English*]

SHRI SUDHIR GIRI (Contai): Mr. Chairman, Sir, the other day, I charged the Government as the Government of Ordinances. I told that there were so many instances. There is the example of how the Government by passing or avoiding the Parliament has promulgated Ordinances and thereafter has come forward with a Bill. If the Government says that people's grievances were being emphasised and expressed, in express terms, then I say that why did not the Government come forward earlier. However, the Bill seeks to abolish the 15 per cent levey of taxes on the persons who travel abroad.

Sir, the provision of 15 per cent levy of taxes on the rupee equivalent of the foreign exchange released to the persons travelling abroad was first introduced in 1987 as a monetary measure. Chapter V of the Finance Bill 1987, deals with that provision. What was the background of inviting such a clause in the Finance Bill?

In the course of the debate on the budget proposals and on the Finance Bill in 1987, the reasons for introducing such a provision have been given.

In the year 1986-87, the import was increased by 26 per cent whereas the export was increased by 17 per cent only. Therefore, balance of trade was unfavourable and it was below the expected level. The foreign debt was accelerating at a greater pace; administrative expenditure was being incurred at a much higher level and this was criticed by the oposition in the Budget debate. The Budget deficit was to the tune of Rs. 5688 crores, although the actual deficit was of a much higher order. The service financial crunch was felt and the Government came forward with necessary steps for earning more revenue. Further Rajiv Gandhi, while replying to the debate on the Finance Bill has said that "We are looking for a strong self -reliant economy". Therefore these are reasons that the Government in those days tried to impose the tax in order to enhance the Government revenue I think the conditions have not disappeared. The conditions in which such a provisions was made have aggravated. So I think it proper not to dispense with the provision, but to vigorously increase the efforts to collect such taxes.

We understand the psychology of the Government in abolishing the tax. The exporters and some other business magnates have brought pressure on the Government to abolish the 15 per cent levy of taxes In its pursuit of liberalisation the Government is compelled to oblige the business magnates and traders. I say so because if the Government is willing to exempt some of the persons travelling abroad, then there is the provision as laid down under Clause 101 of the Finance Act, 1987. If any person travels abroad for the purpose of gaining education or having training in sciences or other technologies, the Government was free to exempt such people from paying taxes. Even if anyone was travelling for medical treatment, there was the provision that the Government can exempt him from paying taxes But the Government did not resort to enforcing those provisions, rather they have come forward to abolish the provision itself It is because the pressure brought by the rich people of our country has borne fruit

Foreign currency is very scaree in our country; it is very important, we all know. Even the prestige and sovereignty of our country have been mortgaged with the IMF and the World Bank for earning foreign exchanges. So it was a right step to dissuade the people from resorting to foreign travels at the cost of the poor people of our country

Productivity is hampered because import could not be made on time, prices have gone up, rupee has been devalued, the need for the foreign currency at present is very high, we want to conserve foreign exchange We should, therefore, restrict the foreign currency spending All that we need at the present moment is to conserve foreign currency for the development of our country

Many States have been compelled to forestall the development work because of dearth of money But the Centre is not providing them with money So I think this provision should not have been abolished, but rather implemented in a vigorous way

One of the principles of taxation is that those who have the ability to pay, should pay the taxes Those who are travelling abroad are rich people They have the capacity, they have the ability to pay taxes Why should they be exempted at all? I do not understand the reasons or the rationale behind the abolition of this provision

Sir, due to the abolition of this provision, the burden will devolve on the common people in the form of collection of other taxes So, I think, it is proper not to burden the common people (*Interruptions*) The common people should not be burdened further and they should be relieved I, on this ground, oppose the Bill Those who want to travel abroad for medical treatment, I want to allow them, but those who want to travel abroad to fulfil their own wills at the cost of the common people, I oppose that So, I oppose the Bill and I hope that the Government will withdraw the Bill

[*Translation*]

SHRI ANNA JOSHI (Pune) Mr Chairman, Sir, although the proposal to reduce the tax is a welcome step but I can not appreciate the procedure adopted for bringing this proposal It shows that our Finance Ministry does not care much about losing or gaining crores of rupees Just now one of the hon Members has revealed here that we could have earned Rs 88 crores as revenue in the 1992-93 budget through this tax Mr Chairman, Sir, through you, I would like to know as to how you will adjust this expected earnings of Rs 88 crore or 90 crore after withdrawing this tax? The hon Minister should also reply to this query in his answer You are not going to provide any relief to the poor by withdrawing this tax It will benefit only those people who have capacity to pay You are giving this relief to those people who go abroad not for the purpose of education, medical treatment or for pilgrimage but for trade, tourism or smuggling You are providing them 15 per cent tax deduction In the objects and reasons of the Bill the hon minister has stated that many demands and representations were made by the people to withdraw this tax Who were those people? There are so many other taxes for which many people have requested you to reconsider the matter but you have not obliged them But you have acceded the demand of elitist class of the society and have withdrawn this tax This is not going to benefit in a big way You promulgated a special ordinance I do not see any consideration in it for the poor the nation or fiscal policy of the nation According to me relief in some other form could have proved more beneficial rather than losing Rs eighty eight crore as revenue At present income-tax rebate has been granted to two categories of people on the profits that are earned by trading in any foreign country or launching any project or any such activity - the exporters and the project launchers People who are doing the same type of business have not been given this concession in foreign countries I had submitted that foreign exchanges reserves can rise if sections 80 H H B and 80 H H C and Income Tax Act are brought on par and that can provide a relief to the country and it can raise the foreign exchange reserves But you are not ready to consider it

You are ready to bear a loss of eighty-eight crore rupees 50 revenue for a petty thing about which nobody bothers much The hon Minister may express his views in

[Sh. Anna Joshi]

this regard in his speech.

This proposal providing relief in taxes so I welcome the step. But I request that it should be considered more seriously and a balanced approach should be adopted and it should be examined which of the taxes are more necessary and which can be reduced and where relief is needed more such proposals would benefit the Government as also the people.

With this request I conclude my speech.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): Mr. Chairman, Sir hon. Members have welcomed the Bill in general but have sought clarification on two points.

Firstly, why ordinance has been promulgated in this regard rather than introducing it in the form of a Bill in Lok Sabha. Secondly, would the amounts which have been charges in the previous years be returned? Thirdly, are the foreign exchange reserves to improve our currency. As the hon. Minister had said in his budget speech of 1992-93, the partial convertibility rate of rupee had been revised. The convertibility rate of foreign exchange was rescheduled forty percent at official rate and sixty percent at market determined rate. So for all foreign travel foreign exchange to obtained to market rate and there is no Concession on that. Government has restricted foreign travel barring for two-three purposes, such as for holding consultations with foreign agencies for seeking economic aids or for participating in some international conferences or for negotiating some agreement for trade and commerce. It is not allowed in other cases. It has been decided that the Indians who undertake foreign trips will have to get the foreign exchange at the market rate itself. The hon. Members of Parliament go abroad and the Government delegations do also make foreign trips. They to used to buy foreign exchange at market rate. It was decided too bring about a change to levy an additional 15 per cent tax in the market rate which was already more than the Government rate. It was considered to be very high and hon. Members of both the Houses as also several institutions sent representations for reconsideration. The Government ultimately stopped charging this 15 per cent tax after reconsideration. As the two Houses were not in session, the Government had to promulgate an ordinance which has now been placed before the House.

It is right that foreign exchange should be saved and simplicity should be adopted. We have restricted foreign travel. Citizens get 500 dollars in three years. No concessions has been granted to them and all people have to buy foreign currency at market rate. This ban would indirectly make the people to spend least on foreign travel. As Shri Sudhir ji has submitted and has also asked a question whether we have improved our foreign exchange position to such an extent that we are in a condition to grant concessions. This is not a concession, we have decided market rate. It has been decided to avoid other unnecessary taxes. When our Government came into power the foreign exchange reserves were to the tune of 2300 crore Rupees, 1.1 billion dollar while hon. Member had mentioned the figures of three thousand. At present we have approximately seventeen thousand crore rupees from all sources and funds which Members have mentioned as Indian Development Bond Remitances Scheme, commerce and foreign assistance. This is equivalent to foreign exchange of about 6.8 billion. The Government does not believe that our foreign exchange position is so sound that we can spend as we desire. There is need to improve the foreign exchange position specially through foreign trade i.e. by increasing our exports. But we have not achieved desired progress in this direction. We accept that imports have increased in order to promote some core industries. We have to import those essential goods which are necessary for our agriculture and industry. But we have to increase our exports also. We want cooperation from all sectors in this direction. We hope that exemption of 15 per cent in the tax structure is a small amount and now the people will not have to pay extra tax on this account So far as the question of the amount which was taken earlier is concerned the hon Member might be aware it was neither an advance nor a deposit Hon Member Shri Bhargavaji suggested that it should be utilised only in national interest I would like to inform the hon Member that Rs 23 crores were realized in 87-88, Rs crores in 88-89 Rs 60 crores in 89-90, Rs 73 crores in 90-91, Rs 81 crores in 91-92 and estimated amount in 92-93 is Rs 88 crores The entire amount is included in our general account It has been utilised in activities on national interest So there is no provision to get it back But people have got concession later and it will continue I hope that everybody will cooperate in the endeavour of mobilising and increasing foreign exchange and therefore I appeal to the people not to waste foreign exchange or indulge in wreckless expenditure

With these words I hope that all Members will support it

[*English*]

MR CHAIRMAN I shall now put the Statutory Resolution moved by Shri Sobhanadreeswara Rao Vadde to the vote of the House

The question is

'That this House disapproves of the Foreign Exchange Conservation (Travel) Tax Abolition Ordinance 1992 (Ordinance No 8 of 1992) promulgated by the President on the 29th May, 1992 "

The motion was negatived

MR CHAIRMAN I shall now put Amendment No 1 to the consideration Motion moved by Shri Girdhari Lal Bhargava to the vote of the House

Amendment No 1 was Put and Negatived

MR CHAIRMAN Now I shall put the Consideration Motion to the vote of the House

The question is

"That the Bill further to amend the Finance Act, 1987, be taken into consideration "

The motion was adopted

MR CHAIRMAN The House will now take up clause by clause consideration

The questions is

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

The motion was adopted

Clauses 2 and 3 stand part of the Bill

MR CHAIRMAN The question is

'That Clause 1, Enacting Formula and the long Title stand part if the Bill"

The motion was adopted

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

SHRI RAMESHWAR THAKUR I beg to move

"That the Bill be passed "

MR CHAIRMAN Motion moved

"That the Bill be passed "

[*Translation*]

SHRI GEORGE FERNANDES (Muzaffarpur) Mr Chairman Sir I would like to point out two things regarding this Bill The hon Minister has just told how our foreign exchange reserve position has improved and how our position is getting strong and sound

[Sh George Fernandes]

Mr Chairman, Sir, I want to express my concern about foreign exchange reserve The figures of last three months i e March, April, May show that we have suffered a loss of Rs 3 25 thousand crore in foreign trade It is many times more than the last year This is causing us grave concern The Rupee was not devalued last year It was devalued in July So from March to May we were getting foreign exchange at the normal value of Rupee before devaluation, for the goods exported Earlier the adverse trade balance used to be to the tune of Rs 700 800 crore but it touched Rs 3000 crore mark in May this year I want to know from the hon Minister the factual position in this regard I also want to know specially how he would face this challenge in the coming days because keeping in view the international trade and specially foreign trade situation it seems that we would have to suffer loss in several fields The oil prices are again going up Keeping in view the forthcoming Presidential elections in America the American President is again trying to start a war with Iraq Two years back he had adopted the same tactics At that time it had devastating effect on our foreign exchange position I would like to know how the Government would overcome this situation

My second concern is related to NRI deposits Since last year we are observing that NRI deposits instead of flowing into the country are flowing out of the country I remember when Congress came to power again last year the Prime Minister and the Finance Minister called a meeting of opposition leaders in July I was present in that meeting The Hon Finance Minister has insisted upon this and later on in the House as well as outside he repeatedly said to defame the opposition that due to instability in the country NRI s were withdrawing their deposites from country and now these NRI's are ready to invest in India So much so, he also said that the representative of NRI's held discussions with him that they, are ready to invest in India if stability is ensured in the country I have detas of April and May with me The reserve bank of India has just released the datas of April and May 1992 These data shows that NRI outflow was 2 crore 64 million dollors in these two months and this is a contineous process We would like to know from the Hon Finance Minister as to what situation of instability has been created due to which today there is more outflow of money from India by NRI's than it is deposited by them

The thrid thing which I would like to know from the Hon Minister To some extent this issue is related to that scam and has been discussed comprehensively in the House I would like the reply on one issue only which is related to the inflow of money from abroad There are two foreign banks in Bombay the first is the Standard Chartered Bank and the other is A N Z Grindlays When this scam came to light these two banks tried to show that they have brough 1 billion U S dollar or 3 thousand crores rupees of NRI's deposits from abroad as the repatriable deposits of the foreign nationals But after the scam they have shown minimum deficit and to cover up that asked the Reserve Bank of India to bring the money from abroad and that money should be brought here as capital money They said that this money should not be brought in India as deposit temporary transfer of resources a but as capital This was an order issued by the Reserve bank of India We would like to know from the hon Finance Minister whether his order has been obeyed Is it not a fact that ANZ Grindlays and Standard Chartered Bank brought foreign deposits in India, disobeying the orders of Reserve Bank of India Which is repraitiable money after using sometime in India In this way these foriegn banks don't follow the rules formulated by the Government and orders issued by the Reserve Bank of India I would like to know as to what is the reply to this situation with the Government You have said that this foreign money is about 6 billion dollor

SHRI RAMESHWAR THAKUR I have said 6 8 billion dollor

SHRI GEORGE FERNANDES The Hon Finance Minister is saying 6 8 billion dollor and the ruling party is propogating that everywhere with proud This whole amount is a loan and the Government has to pay interest on this loan Interest is increasing day by day and the country is proceeding towards indebtness In this situation the I M F will also not be able to save the credibility of the country We want the proper reply of all these questions from the hon Finance Minister

16.00 hrs

SHRI RAMESHWAR THAKUR The Hon Member has naturally expressed his concern regarding foreign money, in which he has drawn attention towards three things, foreign trade, people of Indian origin living abroad (N R Is) and foreign banks working in India and their handling of foreign fundings In the beginning I have said about the situation of foreign currency I have also analysed the source of that money We do not consider it more Unless our position in foreign trade has not become strong the export will not increase and we can't increase our foreign reserve temporarily You have presented the datas of last two months It is right that there is decrease due to many reasons Hon Member know it well that there is decrease in our rupee trade and business with the U S S R The hon Finance Minister has already told the reasons

On the other hand in comparison to the last year, at present there is an increase of 6 per cent in our foreign trade in dollar area But that is not enough But it is worthy to note that according to the economic condition of other countries there is also decrease in the foreign trade of other countries, and we are also affected by this decrease But we are trying to increase the foreign trade and making every possible effort to promote export Our hon finance Minister has also expressed his confidence that we will increase our foreign trade during coming months of the current year while will fecilitate us in regard to the foreign currency

So far as the people of Indian origin living in abroad (NRIs) are concerned they have 11 billion dollar deposits in India in different items You have rightly said that there is a decrease of 260 million dollars during last two months This decrease is not a natural one Generally, decrease do occur. The first reason is the differential rate of interest, there is a decrease in the market rate The second reason is that their money comes in various forms from time to time only one thing which is worthy to note is that there is an increase in N R I deposits in comparison to last year's deposits on which we have to pay interest it has also increased There is a twelve time increase in foreign investment in comparision to last year We hope that it will increase in the current year also for which we will not have to pay any interest This is the special feature of this In this direction we hope that there is an increase in foreign currency from three sources i e foreign trade, foreign investment and N R I deposits Though, at present N R I's are interested in purchasing gold, I have already mentioned that N R Is bring gold because they think that it is more profitable Now you can bring gold upto 5 kg in the country which you have possessed for six months in any foreign country We have made a good progress in this regard About 33 tonnes of gold has come in our country 35 tonnes of gold was expected to come in the country upto March, 93 but we have got 33 tonnes only upto 7th August In the tax form Rs 75 crore was expected to be received upto March, 93, but we have received Rs 78 crore upto 7th August We have made a progress in this direction The amount received in foreign currency is also high

AN HON MEMBER Why are you not telling about silver

SHRI RAMESHWAR THAKUR The Government is also considering seriously about silver We have received the result of our new gold policy It is helping us in receiving foreign currency You have also mentioned some particular foreign banks I think the hon Member himself will be a member of J P C where all these matters will be discussed very minutely At present I would like to say only this that all the foreign banks which are doing their business in our country will have to do all their business according to our laws It is not so that they will be given any

[Sh. Rameshwar Thakur]

special concessions and if any NRI who had brought money at that time then naturally his dealings would have been through the foreign banks only. The money was brought through these banks only. That is a different issue and to compensate them for the loss incurred in this scam, which recently took place is a different thing. Money brought by Indian people is kept in separate account but I would like that it is not proper to say any decisive thing in this regard. All these things will be placed before the J.P.C. and the matters relating to data, money brought by N.R.I., deficit, will be discussed by the J.P.C. and its decision will be accepted by the Government.

SHRI GEORGE FERNANDES: I had said a concrete thing. It has no relation with J.P.C. The Reserve bank and two foreign Banks have conducted their business according to their will and suffered the so called deficit. In my opinion they do not suffer any loss.

MR. CHAIRMAN: This is the statement given by the hon. Minister.

SHRI GEORGE FERNANDES: The hon. Minister is not saying this. I would like to say that the Reserve bank has ordered them and said

[*English*]

You must go in for capital infusion. You bring in capital.

[*Translation*]

You have tried to augment your capital in India. Who is responsible for all that has been exposed? Now what happened is that they brought money into India. It is a controversial issue as to how much money they brought and at what time they brought it; whether they bought enough money or less money. But it is certain that they did not bring the money as a capital infusion, it was brought in the form of repatriation and they violated the directives of the Reserve Bank in this regard. It is the matter to be investigated by the Government and not by the J.P.C.

SHRI RAMESHWAR THAKUR: Mr. Chairman, sir, I was saying that our J.P.C. will ponder over all the aspects.

SHRI GEORGE FERNANDES: Then let the Government also be in our hands.

SHRI RAMESHWAR THAKUR: Please listen what I say. I have said that all the foreign banks will have to abide by the directions of the Reserve Bank of India. The Reserve Bank will take the decision after going through the facts as to how much money was brought, how it was brought or whether it was invested in the capital or not.

SHRI GEORGE FERNANDES: You give me the assurance that it will be investigated.

SHRI RAMESHWAR THAKUR: It is to be done by the committee now (*Interruptions*)

SHRI ANIL BASU: Can't the hon. Minister give an assurance to hold and enquiry?

SHRI GEORGE FERNANDES: It is an administrative matter of the Reserve Bank. (*Interruptions*)

SHRI RAMESHWAR THAKUR: Please listen, I am saying to you only and I am not replying to him.

[*English*]

SHRI ANIL BASU: He should talk through you, Mr. Chairman. He is speaking to all the Members.

SHRI MUMTAZ ANSARI (Kodarma): There must be Internal audit and inspection of accounts.

SHRI RAMESHWAR THAKUR: I am aware of all those things. I will reply everybody.

[Translation]

SHRI RAJESH KUMAR (Gaya): Are you informing to all the hon. Members or giving reply to the question of one hon. Member only.

MR. CHAIRMAN: Everybody will be informed, please sit down.

(*Interruptions*)

SHRI RAMESHWAR THAKUR: As per the query made by the hon. Member I would like to state that the money was brought here on the directive of the Reserve Bank. I have just said that I have no detailed information whether the amount which has been brought will have to be invested or should be invested and how much amount they brought and where it was invested. But I have said that our laws and the directives of the Reserve Bank must be followed by all the foreign banks. As soon as we have the detailed information the Reserve bank will take suitable necessary action on that. (*Interruptions*)

SHRI RAJESH KUMAR: Every hon. Member has right to know whether the enquiry will be made or not. The answer given by you is not correct.

SHRI RAMESHWAR THAKUR: I am giving the right answer, please listen. (*Interruptions*) Please ask you question.(*Interruptions*)

SHRI RAJESH KUMAR: One of our hon. Members has asked whether you will go for the enquiry or not. The hon. Minister should have answered the question in one sentence.

MR. CHAIRMAN: Yes, the answer will be given. Please sit down. The hon. Minister is giving reply.

SHRI ANIL BASU: The hon. Minister should give a clear cut reply.(*Interruptions*)

SHRI RAJESH KUMAR: I am on a point of order that just now the hon. Member Shri George Fernandes has asked whether you will go for the enquiry or not but the hon. Minister is not giving a clear reply. He is giving a vague reply and going into details. He should reply in one sentence whether he will go for an enquiry or not (*Interruptions*)

SHRI RAMESHWAR THAKUR: What answer should I give, how should I reply, this is my responsibility. What I feel right I am doing the same. The hon. members are understanding the same. This is beyond your understanding.

MR. CHAIRMAN: Hon. Minister, please address the chair directly while replying.

SHRI RAMESHWAR THAKUR: I have given a straight forward reply to the question raised by Shri George Fernandes that all the Banks will have to abide by all the directives of the Reserve Bank under the laws. The Reserve Bank will take necessary steps after enquring into the facts about it. With these words I want to give you the assurance that(*Interruptions*)

SHRI GEORGE FERNANDES: You have not replied to one of my questions as to how much interest is being paid on the currency amount of 6.8 million dollar which you have. This has not been told by you.

SHRI RAMESHWAR THAKUR: I have said that the rate of interest is different at different amounts. All of you know that the rate of interest is fixed and our India Development Bonds...(*Interruptions*) There is a fixed amount for India Development Bonds, and there is no interest on the remittances which we have received. There is a service charge at the rate of 0.75 per cent on the amount which receive from the other countries as foreign aid. It has to be repaid with a period of 40 years and bears no interest. If the hon. Members like to know the details, it can be supplied to them, but it is not so that the rate of interest is the same on the whole of the amount. So you know that the amount is taken from different countries so the terms and conditions may be different. The rate of interest varies from 3 to 4 per cent on the amount taken from some countries

[Sh Rameshwar Thakur]

but it is for long term In case of other amounts in most of the cases, there is no interest If the hon Members wnat a detailed information the same can it be placed before them

SHRI GEORGE FERNANDES Yes, we would like to know the details

SHRI RAMESHWAR THAKUR Give notice of a separate question for that

SHRI MOHAMMAD ALI ASHRAF FATMI (Darbhanga) Sir, I want a clarification Just now the hon Minister has made a reference to the bonds, I want to know that a bond scheme was started in 1988 named as 'dollar bond" there was a condition in that scheme that at the time of maturity i e after 6 or 7 years, the purchasers of dollar bonds will get the payment in rupees equal to the prevailing dollar convertibility rate

Mr Chairman, Sir I would like to know as to who is responsible for the loss which has resulted from issue of this bond I want to put it in this way that in 1988 when this bonds were issued, the rate of dollar was 14 85 or 15 rupees, which is at present about 30 rupees per dollar which is more than double of the then prevailing rate If the tendency of and the rate at price rise goes on at the existing speed, it can be well imagined that at the time of the payment it will be more than 3 times So what provisions have been made for the accumulative interest and the hike in the value of dollar? At the time of maturity when one will get the repayment in rupees, the value of dollar will be 50 55 ruppes per dollar then how the Government will make the repayment of these bonds

SHRI RAMESHWAR THAKUR Mr Chairman, Sir, since independence, there has never been the slightest delay on our part, in making the repayment of foreign debt and whatever conditions were imposed on us at the time of borrowing, we have been complying with those conditions and never any occasion arose when we did ask for any rescheduling of loans, we will make the payment of the loans in time and on the very conditions on which we have got the dollar loans it is difficult to say that the rate will be the same as you have calculated They will be paid at the then prevailing rates The Government has provisions for that

[*English*]

MR CHAIRMAN The Question is

That the Bill be passed "

The motion was adopted

STATUTORY RESOLUTION *RE* APPROVAL OF CONTINUANCE IN FORCE OF PROCLAMATION IN RESPECT OF JAMMU AND KASHMIR AND DEMANDS FOR GRANTS (JAMMU AND KASHMIR), 1992-93

[*English*]

MR CHAIRMAN We will take up item no 16 Shri S B Chavan Sir I beg to move

THE MINISTER OF HOME AFAIRS (SHRI S B CHAVAN)

> "That this House approves the continuance in force of the Proclamation dated the 18th July, 1990 in respect of Jammu and Kashmir, issued under Article 356 of the Constitution by the President, for a further period of six months with effect from the 3rd September, 1992 "

As the House is aware, in view of the then prevailing situation in Jammu and Kashmir, a Proclamation under Article 356 of the Constitution in relation to the State of Jammu and Kashmir was issued by the President on the 18th July, 1990 on the recommendation of the Governor Earlier on 19 1 1990 the Governor, Jammu and Kashmir, assumed to himself the powers of the State Executive and Legislature placing the Legislative Assembly of the State under suspension under the provisions of the