

MR. DEPUTY-SPEAKER: The question is :

Page 4, lines 3,—

OMIT "for display" (1)

The motion was adopted

MR. DEPUTY-SPEAKER : The question is :

"That clause 3, as amended, stand part of the Bill"

The motion was adopted
Clause 3, as amended was added to the Bill
Clauses 4 and 5 were added to the Bill
Clause 1, the Enacting Formula, and the
Title were added to the Bill

SHRI Z. R. ANSARI : I beg to move :

"That the Bill, as amended, be passed".

MR. DEPUTY-SPEAKER: The question is :

"That the Bill, as amended, be passed"

The motion was adopted

18.45 hrs.

INCOME-TAX (AMENDMENT) BILL

[English]

MR. DEPUTY-SPEAKER : Now we shall take up item No. 8.

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

"That the Bill further to amend the Income-tax Act, 1961, be taken into consideration."

This short Bill has been introduced primarily in pursuance to the announcement made in the Budget Speech this year as also the Finance Minister's Speech in the Lok Sabha on 24th April, 1986 while moving Government amendments to the Finance Bill, 1986.

In the Budget speech, a proposal to provide relief to self-employed persons or salary earners in respect of medical expenses incurred by them had been announced. To implement this, it is proposed to insert a new section in the Income-tax Act, providing for a deduction up to Rs. 3,000 in a year, in the aggregate, in respect of any sum paid as premium by an individual for insurance of his own health or on the health of his or her spouse or dependent parents and children. In the case of a Hindu undivided family or an association of persons or body of individuals consisting of only husband and wife governed by the system of community of property. In force in the Union territories of Dadra and Nagar Haveli and Goa, Daman and Diu, the deduction is to be allowed in respect of the premium paid for insurance on the health of any member of such family. It is also proposed to introduce a new section in the Income-tax Act so that deduction is allowed to an employer in respect of premia paid by cheque for insurance on the health of the employees in accordance with an approved scheme.

As per the provisions of the Income-tax Act, deduction is allowed to a scheduled or or non-scheduled bank to the extent of ten per cent of the pre-tax profit in respect of provision made by it for bad and doubtful debts or of an amount not exceeding two two per cent of the aggregate average advances made by the rural branches, whichever is higher. I propose to amend the relevant section so that a deduction is allowed to all banks of an amount not exceeding two per cent of the aggregate average advances made by their rural branches together with a deduction of provision for bad debts limited to five per cent of their total income, subject to the existing conditions.

An Indian company or a person (other than a company), resident in India, is entitled for a deduction equal to 25 per cent of the profits and gains from projects outside India. In order to encourage the activity of execution of projects outside India which is one of the sources of earning foreign exchange, it is proposed to increase the deduction from 25 per cent to 50 per cent of such profits by making a suitable amendment.

I trust, that this short and simple Bill will receive the unanimous support of the House.

MR. DEPUTY-SPEAKER : Motion moved :

“That the Bill further to amend the Income-tax Act, 1961, be taken into consideration.”

SHRI AMAL DATTA (Diamond Harbour) : Thank you, Sir, for allowing me to initiate the debate. I think the first part, namely, the premium for medical insurance which is being made deductible is a welcome measure. This was announced earlier during the Budget speech and other speeches by the Finance Minister and it has come in the form of a Bill. The only thing now I would observe regarding this is that the premium which will be paid by the employer or by the person insured himself, will certainly generate a surplus in the General Insurance Corporation or its subsidiaries because usually in the insurance scheme we have found that whatever way the schemes are framed, they do generate lot of surpluses. This new provision in this Bill is obviously meant to amend the Income-tax Act and regarding what is to be done with this surplus. I think in view of the fact that this is for a particular purpose, namely, health insurance or medical insurance, the surplus should be committed for improvement of health and medical services of the community and also, to a certain extent, for the group of people, for that category of people which will be contributing by way of premium through generation of this surplus. I think this should be kept in mind by the hon. Finance Minister and his people so that this surplus can be used in this fashion. Otherwise there is nothing objectionable in this particular provision.

Regarding the statutory deduction which is not being provided so far as doubtful debts are concerned, I fail to understand the purpose of this at all. Sir, the Income-tax Act does provide for deduction of bad and doubtful debts. So, where is the scope or opportunity or the necessity for providing by statute deduction of 5 per cent of the total income of scheduled banks as doubtful debts? I think the intention is that advances of a doubtful nature will be made, which will ultimately result in debts becoming bad and therefore this statutory provision is being made for 5 per cent of the income to be deducted as doubtful debt. Now, in addition to all this 5 per cent, there is another 2 per cent of the total advances of the rural branches. They can also be provided as doubtful debt and it is deductible for income-tax purposes. This is again not necessary at all. Is it the purpose that the debts would be incurred by rural branches to be automatically written off to the extent of 2 per cent of that? Is that the idea? In that case, is it the idea that advances will be made in such a fashion, without scrutinising as to, whom advances are being made, for what purpose advances are being made, and so on? In other words, it comes to this, advances are being planned to be made only to become later on doubtful debts. That means also that advances will be made at the behest of some powerful political persons, those people having the control of the banking system. Sir, this a very objectionable provision and it should not be accepted by this august House. Already there are provisions in the Income-tax Act whereby, in any business (whether it is banking business or any other business) bad and doubtful debts can be written off provided they have been *proved to be* bad and doubtful debts. There cannot be any statutory provision for providing for such deductions. As I said, this is highly objectionable. Obviously, it smacks of political patronage playing a very important part in giving loans in the rural areas as well as urban areas for industries and all that. Therefore, I urge upon the hon. Minister kindly to withdraw this provision regarding statutory deduction of bad and doubtful debts of banks' incomes and advances, as they appear in this Clause 2 (b). This should not be pressed before this august House because this will only obviously mean—and the people

[Shri Amal Datta]

will conclude—that political patronage will be the basis of giving loans for the purpose of making them later on bad and doubtful debts and they will be given income-tax deduction.

My last point is this. I have always made this point while discussing or debating on the Banking System and Insurance. Parliament has no control over these institutions. But, Parliament has control, and through Parliament the Indian people have control,—over other Government undertakings, but not the financial undertakings like the Banks and the Insurance Companies. I remember that on one occasion the Speaker also agreed with me. Very openly he said in the House that he agrees that there should be Parliamentary control. Unfortunately the Finance Minister—obviously prompted by the Finance Department bureaucrats—is not agreeing to this Parliamentary control over these financial institutions. The sooner this control is instituted, the better for this country. Otherwise, what is taking place in the banking system today before our very eyes is intolerable in a democratic country. We have nationalised the Banking system for the purpose that loans will be given to those who are deserving, those who will be able to increase the national wealth, national income, including helping themselves in the process. That was the idea. But what is being done in the name of these loan melas and all these things? Banks are being given a period of 15 days or 3 weeks within which they must give loans to 40,000 or 50,000 people. They are choosing people at random. They are encouraging political patronage by such kinds of loan melas. Some M.Ps. or M.L.As. preferred by the Ministers or somebody in the Department are being given the application forms and the application forms signed by those M.Ps. and M.L.As. are the applications on the basis of which loans are to be given. This is happening. In my constituency also this is happening. In the district, in a very large place, we find the anti-social elements going from branch to branch and saying that 'if you do not honour the signature of this M.P. or M.L.A., then we will see that you will not be able to attend this bank branch. This is being done with the tacit

encouragement of the people in authority today. I think Mr. Poojary should know it. If he does not know it, he should enquire about it because things are being done in his name. They are threatening the bank officials saying that 'you must sanction loan on this application because this is signed by such and such M.P. and if you do not give the sanction, then you will not be able to attend this branch'. These threats are being held out. This is my personal knowledge. This is happening not only in my constituency or district, but everywhere in India this happening today that by threats and by certain political patronage these loans are being extracted from the banking system and the public are being defrauded. This should stop. And that is one of the reasons why this provision is here.

Sir, with these words, I oppose this Amendment.

[*Translation*]

SHRI MOOL CHAND DAGA (Pali):
Mr. Deputy Speaker, Sir, I welcome this Bill. I am fortunate that I have nothing to add to this Bill. If you are providing that the employer shall also deposit his contribution towards the employee, it is a matter of pleasure. It is good that you are paying attention towards those employees who become victims of cancer. This is a commendable measure.

Sir, hon. Poojary ji has rich harvest of statistics. I would like ask him what are the figures of bad debts of the last four years and who has the powers to write them off. To what extent the bad debts are created in the rural banks. The Member who spoke before me is very expert in this subject. He said that loan 'melas' are held. These 'melas' are held for those who are to be given loans. This is done under I.R.D.P. to bring the person concerned above the poverty line. This step has been taken with enthusiasm for the welfare of the poor. On many occasions, we are not able to educate them properly in this regard. The employees of all the banks and the Pradhan and the Block Officers know how these loans are distributed. You

should view the matter in this way. If the loan 'mela' is held in Bengal, the hon. Minister is prepared to go there also.

19 00 hrs.

On many occasions, when the poor persons who are below the poverty line, go to the banks for loan, they are asked to bring security. Sometimes, when they have to buy commodities, they have to go to the intermediaries. This causes much harassment. On the other hand loan 'mela' is very simple service unto the people where the Minister has a chance to meet and talk to the people for eight to nine hours. This is a good job and I feel Poojary ji should do the work along with the Chief Minister of the concerned State. The poor suffers loss but the big industrialists bungle lakhs of rupees. The industrialists have bungled four thousand of crores of rupees but no action has been taken against them. I would like to ask what is the total number of bad debts during the last 4 years and who has the authority to write them off. May I know who bungled the money as also who are accountable therefor ?

May I also know why 50 per cent exemption has been given in income-tax to those companies which are functioning abroad and are remitting money in foreign exchange ? Why has such facility been extended to them ? What crime has been committed by those companies which are functioning in the country itself and are contributing 50 per cent in foreign exchange ? You are giving 50 per cent exemption to those companies which are functioning abroad and remitting money in foreign exchange to the country. This should be looked into. However, I support the Bill.

19.01 hrs.

[MR. SPEAKER *in the Chair*]

[*English*]

DR. CHINTA MOHAN (Tirupati) : Mr. Speaker, Sir, I welcome this Bill. But this Bill should have come long back. I do not know what made the Government to

come in a hurried way to bring this Bill. But giving income-tax exemption to self-employed people is a very welcome thing and also giving exemption for the general insurance scheme and incurring medical expenses is a very good scheme. But the Government all the time is encouraging bad debt. This sort of attitude should be changed and if possible, the Government should come with national credit policy soon so that the industrialists who are misusing their political patronage and getting loans and making the industry sick could be checked. They are not at all repaying the loans taken. I have brought to the notice of the hon. House sometime back about this bad credit given to some of the industries in Bombay, Bangalore and Calcutta. I would like to quote it again. In Bombay, the Central Office of the State Bank of India had given Rs. 52.5 crores to some big industrialist. He had taken the loan 5 years back but not paid even 5 paise so far. I asked the hon. Minister to take necessary action. But so far nothing has been done in this direction. I also mentioned sometime back about the false cheque issued in Karnataka and some Excise contractor had taken Rs. 3 crores. Till today, he has not paid even 5 paise. In the Bank of Baroda, some bungling had taken place in Calcutta. So far, the Government has not taken any action at all. I do not know why the Government is negative in this direction. I would request the hon. Minister to come out soon with some policy, national credit policy and do something for the betterment of the nation.

With this I conclude my speech.

SHRI G.L. DOGRA (Udhampur) : Mr. Speaker, Sir, I had no intention of speaking on this Bill but because it is a very good measure but something has been said about bad debt, Therefore, I am compelled to intervene.

This problem of bad debt was considered in the Public Accounts Committee and also in the Estimates Committee. There is no business of lending where bad debt will not occur. There should be a provision made for the bad debt also. They have laid down the maximum limit. Who exercises the power is a different thing. Why does

[Shri G.L. Dogra]

the bad debt occur? Mainly they occur in the case of self-employed schemes and in other types of loans which are given to the poor people. They are not given loan in sufficient quantity. Sometimes some officers get something out of the money advanced. Therefore, the proper purpose of the loan cannot be served. And it cannot be utilised for productive purposes. You Mr. State Minister are controlling it and the hon. Minister is also trying to control it, but you have to further strengthen the controlling machinery, If you give all the required money for productive purposes and people can produce and implement their schemes for which the money is given there will be no bad debts. There will be very rare bad debts. Therefore this has got to be seen.

Then there is another thing. On very small pretexts people should not be involved in litigation. Your officers should have a sympathetic attitude and try to rescue those people out of their problems and situations in which they are involved. But your officers whether there is a big party or a small party, do not believe in reconciliation or making arrangements and therefore helping them by compromising with the various parties.

Same thing is happening so far as taxation is concerned. If somebody is not able to pay up in lump sum, your people are not prepared to take it in instalments so that people can get out of it. Your approach should be constructive and productive so that people who produce and earn money and who give you money should be helped to produce more. I do not say that those who are unfair people should be helped or protected. But those people who are in genuine difficulties should be rescued I should say that your Department though it has done very good work in certain respects but in this aspect you are lacking, you are behind the expectations of the people and you must realise that those people who are working are your partners. You are a sleeping partner in these businesses. Why don't you take that attitude? Therefore, you should look at the things from that point of view. If you

destroy the tax payers, you destroy the milk-yielding cow, and in this way how will you be able to improve this country?

In the agricultural sector rather in every sector people need your sympathy. They need your guidance. You should have experts to guide them wherever they falter at any stage and they should support guide and intervene whenever necessary. We are a backward and a developing country. Why do you forget it? Either you are not properly mentally equipped to weigh the situation or you are lethargic. Our bureaucrats as well as the politicians—if we are prepared to play our role properly, then we should have adequate machinery to guide the people at every, stage. They are much more backward than we are. We ourselves are lacking in many things. But those people in the field who have sent us here, all of them are not as learned and experienced as we are. Therefore don't apply our own standard to them. Every bureaucrat and every politician wants to rule. We are there to serve and not to rule. This has to be kept in mind. If you keep these things in mind, there will be very small bad debts and very few difficulties. Then we should also not try to abuse by saying that all the people who are serving in the bank or in government departments are all thieves. Whenever we ask any question, we ask in that way. We try to expose them. Who are they? They are our people. I come from a backward area. I have none employed in these sectors. They are our people and they are young men. We must educate them properly. We must deal with them properly and with sympathy and their dignity must also be restored and we must confess that they are also good people. This country is as much theirs as it is ours. When we come and talk here, we talk as if we are angels. That approach is also bad. We must give them respect and get respect.

SHRI SRIBALLAV PANIGRAHI
(Deogarh): I rise to support this Bill. This is a small Bill and it has come before us at the end of this long Budget session.

There is nothing to oppose in this amending Bill. It has a good clause. It is quite a welcome measure and some deduction is being allowed to employees and individual, assesseees for their investment on health scheme by way of insurance, by way of cheque etc. payment by way of cheque on health scheme. As you know, Sir, lots of employees and workers are working in different commercial and industrial firms—private firms—against very heavy odds, against vagaries of nature and there is no proper safeguard about their health, treatment etc. Therefore, it is quite welcome and about other aspects of providing some deductions on provisions for bad debts by banks upto 5 per cent, that has been opposed to by some friends sitting on the other side of the House—particularly our hon. friend Shri Amal Datta. I do not understand why for every such thing, some of the friends on the other side, see politics in it

In the year 1959, banks were nationalised with the realisation that banks were in fact prospering on peoples money, common people's money. They used to prosper without discharging any duty, responsibility towards the society, particularly to remove backwardness, to remove poverty. Our late Prime Minister Mrs. Indira Gandhi took the historic decision of nationalising the banks. Since then it has become very popular. As we all know, we are committed, the Government is committed to alleviate and eradicate poverty and the banks have a very definite role, meaningful role and effective role in this sphere. They are going ahead also. Of course, there are some loopholes here and there, pitfalls are there. Suggestions are always welcome. Our ultimate goal is to help the down-trodden people and the have-nots and we are trying to improve their whole lot. There are thousands of such people in free India. They have also to enjoy the fruits of freedom. But we forget about them. Some friends proclaim day in and day out they are the friends of the poor; they go on beating their own trumpets that they are the only saviours of the poor people of this country. I do not understand how they take objection to banks advancing loans to poor people on different schemes—like anti-poverty programmes, poverty-alleviation programmes

etc. Some section of the bank employees who have relationship with such people are against them. All over the country, we find a section of bank employees resisting them. I would like to know as to how under this Act bad-debt is increasing and also to what extent under this anti-poverty programme and to what extent from the bigger people, the more affluent people, whether they are failing to pay and to what extent. I think, there is failure on the part of the poor people to pay-off debts. There are several reasons for that.

Sir, these programme are good programmes—anti-poverty programme, bank finance etc. They should be properly monitored. There is illiteracy among the poor people of this country. We are giving loans to them. But there should be proper guidance. In many cases such guidance is not forthcoming. Follow-up action should be ensured. In some places there are corrupt officers who are preparing a list of wrong names. I would suggest that people's participation, in a meaningful way, should be ensured so that these schemes, laudable schemes, noble schemes which we had at the time of nationalisation of banks, can be properly achieved and fulfilled. I would request the hon. Minister to give his thought to this aspect.

With these words, I support this Bill.

SHRI JANARDHANA POOJARY : I thank the hon. Members for giving concrete and valuable suggestions.

If I remember correctly, the first Bill that was taken up at the beginning of this Session was from the Finance Ministry and we are closing the Session, if I am not mistaken, with a Bill from the Finance Ministry.....

MR. SPEAKER : You have proved that the Earth is round, geographically : where we started from, we have come back to the same point.

SHRI JANARDHANA POOJARY : Hon. Members from both sides welcomed the provisions of this Bill except one provision. So far as that provision is

[Shri Janardhana Poojary]

concerned, I may be permitted to say that under section 36(1) (viii), there was already an existing provision to the tune of ten per cent—for making provision for bad and doubtful debts. Now that has been reduced from 10 per cent to five per cent. About the provision for bad and doubtful debts, often it has been raised in Parliament and I have also given my reply. There is a statutory protection to banks from disclosing bad and doubtful debts. Even in the format that has been presented for the consumption of the public, under the Banking Regulation Act, we are not supposed to give the bad and doubtful debts figure. Only after deducting bad and doubtful debts figure, we have to publish it. Not only that, there is a customary law, and therefore even under the Banking Act itself, we are prevented from disclosing the bad and doubtful debts. I made this point clear earlier when, you remember, Sir, hon. Member Shri H.M. Patel—you were there on that day—made a point that I should disclose it; then you directed me that I should verify when I said that there was a protection. I have verified it, Sir. It is a statutory provision. I am barred from disclosing it.

Coming to the loan function, hon. Members from this side have given the correct reply. I went to one State. I am not complaining. When I went there, the Collector of that District said that out of 16,000 people, 12,000 beneficiaries were under IRDP and other Programmes which were pending disposal for a number of years and as I went there, they were disposed of. That was stated by the Collector of Jalpaiguri District in West Bengal. I may submit this. The IRDP and also the Educated Self-Employment schemes, the State Governments are implementing. They are the identifying authority and after identifying the beneficiaries, they have to submit the application to the Bank and the Bank will sanction the loan and disburse. Now it is asked whether the Banks are associating the State machinery. When they say that it is not properly implemented, it is not given, I feel that they are also equally responsible. Here to complain that they are not associated, I think, is not correct.

Coming to the point as to whom it could be given, you know to whom it is going in the present system. With regard to voting, I cannot say to whom these beneficiaries have voted—whether they have voted for the Congress, or for the Communists or for the Janata. It is a secret.

SHRI SAIFUDDIN CHOWDHARY (Katwa): The forms were distributed by a particular political party. The Minister knows that.

SHRI JANARDHANA POOJARY: Even I cannot say to which party my wife has voted, I cannot definitely say that. So, to say that we are giving to a particular party, my submission would be that any person can submit the application to the Bank. It is for the Bank people to process it and give the loan. I am just bringing it to the notice of the Hon. Members—whether it is CPI people or any citizen of the country—that even they can submit the application on behalf of the poor people, it is for the Bank people to process and sanction it.

Coming to the provision that was made for the rise from 25% to 50% so far as the profits of the projects that are executed in foreign countries, already for export there is a provision of deduction upto 50%. In order to encourage foreign exchange earning here also we have increased from 25% to 50%. It is a measure of encouragement for foreign projects executed by resident Indians.

With these I conclude and commend for the consideration of the Bill.

MR. SPEAKER: The question is:

“That the Bill further to amend the Income-tax Act, 1961, be taken into consideration”

The motion was adopted.

MR. SPEAKER: We shall now take up clause by clause consideration. The question is:

"That clauses 2 to 4 stand part of the Bill"

The motion was adopted

Clause 2 to 4 were added to the Bill

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

SHRI JANARDHANA POOJARY :
I beg to move :

"That the Bill be passed"

MR. SPEAKER : The question is :

"That the Bill be passed"

The motion was adopted

THE MINISTER OF PARLIAMENTARY AFFAIRS AND TOURISM (SHRI H.K.L. BHAGAT) : I want to take this opportunity to thank you, the Chair, for very ably and affectionately guiding the proceedings of this House with the result that the House did a lot of useful business with mutual cooperation and with mutual understanding. With great ability and dignity you have conducted the House. I want to thank you.

I want to thank all the leaders and Members of the opposition. At times we had differences. They are always there. Yet, the leaders and members of the opposition and leaders and members of the ruling party cooperated with each other. I have a feeling that the debates—whether people spoke from this side or from that side—were of high standard. People have put in a lot of hard work. I wish to thank all the Hon Members of the House.

The whole business went on almost correctly to the dot—whether it was official business or other business. The whole thing went on well. This House spent a lot of time—the hours will be calculated—and did a lot of useful work.

I want to thank the staff of the Lok Sabha Secretariat for the job that they did very nicely. I want to thank the officers and staff of the Lok Sabha Secretariat, the Hon. Deputy Speaker who had at times to take a lot of burden and shared the burden with you. I also wish to thank the officers and staff of the Parliamentary Affairs Department as also the Press. I know that sometimes it was very hard. It was with the cooperation of everybody that it was done. I must thank you Sir, and through you all concerned.

Thank you.

SHRI C. MADHAV REDDI
(Adilabad) : Mr. Speaker, Sir, we...

SHRI H.K.L. BHAGAT : Sir, before Shri Madhav Reddy ji says something I want to thank my colleague, Shri Ghulam Nabi Azad also.

MR. SPEAKER : Well deserved.

SHRI C. MADHAV REDDI : ...on behalf of the Opposition thank you heartily for the impartial way you have conducted the House. There were moments of excitement and stress. It was a great strain on you but still you maintained the balance and conducted the House very well.

We have got the fair share of the proceedings on the Floor of the House. We thank you on behalf of the Opposition parties for conducting the House so ably.

SHRI SAIFUDDIN CHOWDHARY (Katwa) : Sir, I also want to say a few words. With pain in my heart I have to remember this Session. In the past we have passed many legislations which had bearing for the progress of the society. Though there were politically reactionary legislations passed also yet never in the history of this Parliament we enacted such a kind of socially reactionary legislation, namely, Muslim women (Protection of Rights on Divorce) Bill, 1986. I do not know how history will erase that memory.

MR. SPEAKER : You could have said it then. This is not the time.