

[Shri P K Deo]

know very well that even though we represent 8,70 lakhs people on an average, how difficult it is for us to keep in contact with our constituents, how difficult for us to move in the areas and how difficult it is for us to nurse the constituencies. So, as the population has increased, there is a very good case that the composition of the Lok Sabha also should increase. Any architectural or accommodation aspect should not stand on the way. This Lok Sabha building was built by the Britishers in the colonial days when there was no adult franchise. Even if it is thought necessary that the Lok Sabha should sit in the Central Hall, we should not mind sitting in the Central Hall. Or, the Inner Lobby may be converted as a part of the Lok Sabha. It should not be an impediment, because, the proper representation of the people alone is the primary and the guiding factor so far as the idea of delimitation is concerned.

MR CHAIRMAN How long will you take? Will you take more time?

SHRI P K DEO Five minutes more

MR CHAIRMAN You can continue tomorrow. We take up the next item.

17.30 hrs

HALF AN-HOUR DISCUSSION

ARREARS OF TAXES

SHRI JYOTIRMOY BOSU (Diamond Harbour) The tax business mainly could be categorised into three broad categories, as far as non-realisation is concerned, the first is evasion, the second is under assessment and the third is non-realisation.

Shri K R Ganesh had said on 24th November, 1972

"Let me first clear this point. The hon. Member was asking about Rs 1000 crores of arrears. It is not Rs 1000 crores of arrears, Rs 1000 crores refer to collections of taxes

There was a wrong caption given in the *Patriot*. The arrears are only Rs 438 60 crores."

This was up to 30th September, 1971. He also said

"Secondly, I would submit that these arrears of taxes are a continuing process. These arrears have not arisen in one year. They have been continuing right from 1947 onwards and year by year, new demands, are made, arrears are liquidated and new demands are raised. I have figures to show right from 1961-62 to 1971-72 how the arrears have grown. It would be wrong for the House to come to this understanding if it had this idea that Rs 438 crores relates to one assessment year. This is the accumulation of the arrears right from 1947."

He did not bother to give separate accounts for the corporate sector. He said

"The hon. Member put a question as to what is the share of the corporate sector in this total arrears of Rs 438 crores. I replied that as far as the latest figures are concerned, the division into corporate sector and other sectors is not available with me. I have some figures (*Interruptions*). Because we do not maintain that."

I shall prove how incorrect he was. The hon. Minister told something which was not true. The actual total arrears are shown in the Report of the Comptroller and Auditor General for the year 1970-71. In terms of crores of rupees, it was Rs 738 77 crores. The figures given for corporation tax are Rs 174 89 crores. So, what he had said namely that he did not have the figures for the corporate sector is not quite correct. He must have deliberately misled the House with some intention in mind. He did not include the gift tax, the wealth tax, the estate duty arrears, he had suppressed that also. Here, in the Comptroller and Auditor General's report, it has been clearly stated that arrears in the case of wealth tax was Rs. 1201 37 lakhs in the case of gift tax,

it was Rs. 238.73 lakhs, and in the case of estate duty it was Rs. 1571.34 lakhs. So, Government are in full possession of all these figures.

The gross arrears have been clearly mentioned in the Report of the Public Accounts Committee, the latest one of August, 1972. It says that the arrears outstanding in March, 1966 was Rs. 381 crores, in March, 1967, it was Rs. 541.73 crores, in March, 1968, it was Rs. 622.61 crores, in March 1969 it was Rs. 774.40 crores and in March, 1970, it was Rs. 840.70 crores. How wonderfully they are succeeding you can see from the figures that I have just given from the report.

Now, in the Wanchoo Committee's final report, not the interim report which I had placed already on the Table of the House and which they tried to suppress, in the final report, we clearly find:

"Arrears of tax rose from about Rs. 24 crores in 1944 to about Rs. 187 crores in the course of a decade. In the decade that followed, they swelled to more than Rs 271 crores. The spiralling has continued unabated and last year about Rs. 840 crores of uncollected taxes hung heavily round the neck of the Department's collection machinery, impeding its normal working..."—

The report further says:

"What is even more disturbing is the fact that these arrears were outstanding against more than 16 lakhs of assesseees."

Further, it says:

"No comparisons are needed to show that the situation is alarming. Yet, it might be useful to mention that in Japan only four per cent of the demand raised, in a year remains outstanding at the end of the year. Our collections against current demand, are, however, only about 50 per cent. In the United Kingdom, as against net receipts of £6859 million from income-tax, surtax and corporation tax during 1969-70, the outstanding were only 611 million".

The report also says:

"However, these measures seem to have made no significant dent on the hard core of the problem. We feel that the trouble is deep rooted and calls for some radical remedies if any significant success is to be achieved in arresting the growth of tax arrears and reversing the present rising trend,

And this Government has done nothing at all in this regard. The causes are mainly political and then administrative and then only everything else, because I maintain that this Government's class character is for the monopolists, by the monopolists and of the monopolists. Therefore, they cannot possibly disturb the monopolists, and so whatever they may be saying is just tall talk only. The entire revenue intelligence, the CBI and the Enforcement Directorate have been taken away from the Finance Ministry and placed in the hands of the Prime Minister, and yet this is the result. But of course, there are other purposes that are being served by these Ministries and Departments.

About the tax collection performance and how this wonderful Ministry of Shri K. R. Ganesh has been performing and what its roll of honour is, I would like to point out that no prosecution proposals were received from more than half of the 37 commissioners in the country in 1970-71 and of the 42 cases sent by them to the Central circles for investigation, a majority related to small assesseees. That is their class character. In 1971-72, the position was slightly better with 57 cases from 24 commissioner but again, a majority of them sought to prosecute the comparatively small assesseees, leaving the big evaders to get away scot-free. Again, we find, for instance, none of the five commissioners in West Bengal, where the largest number of industries were located, had even a single proposal for prosecution in 1970-71; in the subsequent year, there was only one proposal. This was what Shri Yeshwantrao Chavan had said.

It may be said that not enough men were there in West Bengal to collect the taxes. But actually, West Bengal has

[Shri Jyotirmoy Bosu]

five ranges for income-tax purposes, their physical jurisdiction having been taken into consideration alone. Inquiries into one of these ranges recently revealed that the year 1971-72 opened with an accumulated uncollected total demand of Rs. 53 crores in taxes. By that token, the arrear collections for the entire State might go up to Rs. 250 crores. A recent work-study on the man-power requirements of the department undertaken by the Central Board of Direct Taxes is reported to have come to the conclusion that the West Bengal offices are hopelessly understaffed. For example, in one of the ranges where 32 officers are now engaged in this work, there should in all fairness be 70 of them.

There are so many other things, but I do not wish to go into them. But it will be seen that the big assesseees nearly accounted for more than Rs. 50 crores in arrears of income-tax. This is what the Central works-study says. Further, we find that one of the richest families in India paid a tax of Rs. 8; this was what Prime Minister Shrimati Indira Gandhi disclosed at the conference of Congress leaders at New Delhi on the 13th May, 1972. How wonderful: The report further says:

"Mrs. Gandhi said this highlighted the magnitude of tax evasion in the country. This must be stopped by all possible means."

This was quite some time ago.

Then, we have the following report in regard to 'Operation RAT':

"Operation 'RAT' (Reduction of Arrears of Tax) which was launched by the Finance Ministry with much fanfare last year, has failed to fetch the Central exchequer tax outstandings running into several crores....Further, this increase was by no means a record as the department had recovered nearly Rs. 40 crores more between 1967-68 and 1968-69."

Operation RAT has actually decreased the performance or reduced the performance of the Department.

In the meantime, while this is happening, foreign capitalists are making hay while the sun shines. Here are some figures in that regard.

The amount of dividends and profit remittances—on the one hand they are in arrears—in the corporate sector there are a lot of foreign companies—are as follows, India Tobacco company in lakhs it is Rs. 138.29 for the year 1969 and for the year 1970, it was Rs. 146.05. Vazir Sultan Company of India, for 1969 it was Rs. 19.70 lakhs and it was Rs. 22.16 lakhs in the next year, M/s. Godfrey Phillips, Bombay, for 1969 it was nil but in 1971 it was Rs. 14.59 lakhs. For the Indian Leaf Tobacco Development Company and the British India Tobacco Corporation, their are figures. They are flourishing but the Exchequer's money is not coming. What is happening?

There is a statement showing remittances to head office expenses and profits by the various foreign banks. They are arrears in income-tax which are not paid here. This is a deduction from income-tax; they are expense accounts. The Lloyds Bank, the National Grindlays Bank—I have the figures; I shall give the figures of the total. You will be surprised. For the head office expenses in 1967 they sent Rs. 1,20,23,000 while their profit was Rs. 2,15,33,000. For 1968 the respective figures are; 1,35,52,000 and Rs. 2,05,41,000. For 1969 the head office expenses come to Rs. 1,66,93,000, while the profits total Rs. 2,54,68,000. For 1970 the respective figures are: 2,01,82,000 and 3,57,22,000. They are all in arrears. They head office expenses give a cut in income-tax. On National Grindlay Bank, its head office expenses in 1970 came to 1,05,31,000 and its profits were Rs. 1,53,30,000. In 1971 the head office expenses for this bank were Rs. 85,34,000 while the profit was Rs. 1,12,43,000. Head office expenses means that money is being debited to the tax account. It does not include international brand names and goodwill. It says that remittances on account of the technical know-how, royalties, technical

fees, on account of the profits of the foreign companies, surplus funds by branches of foreign airline companies....

MR. CHAIRMAN: You have a mine of information but it is not germane.

SHRI JYOTIRMOY BOSU: You are a lawyer and you will understand.

MR. CHAIRMAN: You need not begin explaining to me.

SHRI JYOTIRMOY BOSU: Thank you for your guidance.

The remittances for the year 1968-69 under these pretexts on private account alone I referred to above came to Rs. 38.67 crores. In 1970 it rose by 40 per cent; and it stood at Rs. 51.86 crores. Samaj wad is really coming and there is no doubt about garibi hatao. There is a reference in the Public Accounts Committee Report about under-assessment detected. It says that inspite of the fact that special attention of the Government was drawn repeatedly to this type of mistakes the number of mistakes in tax under-assessed are keeping an upward trend. Very good, indeed. While according to the audit report in 1965 the number of cases was 803 and the amount of tax under-assessed was Rs. 36.32 lakhs, it rose to 1015 cases in 1966 and the amount went up three times to Rs. 87.60 lakhs. In 1967 the number of cases were 1223; again it rose by 25 per cent and the amount comes down slightly. In 1968 it goes up to 1103 cases involving Rs. 91.86 lakhs and in 1969 it reaches 1225 cases and it remains almost the same in 1970, 1368 cases and the amount is Rs. 129.29 lakhs. The next year it comes to 2427 cases and the amount involved is Rs. 1,29,31,000. I am raising these things because the tax department is a mess. I cannot quote things that I heard in the Public Accounts Committee and it is not the convention and I do not wish to do that. I was in fact horrified to see that they are still in a primitive condition. These a middleclass man, small man says that the income-tax department for

smaller people has becoming a black-mailing institution. A man retires after thirty years of services, takes a little money from his provident fund and gratuity and builds a small house. He is pounced upon and for months and years it goes on. When you talk of persons like Haridas Mundhra, or X or Y or the sixteen big business houses, you can see that the big goats are getting fat every day. There are particular reasons.

There is this injustice done to Income-tax officers, class II ITOS. Is it a fact that eighty per cent of the impontrant income tax circles or wards in West Bengal are held by class II income-tax officers? Why are they given different emoluments? In fact I will give you figures of arrears of tax not being collected due to the inefficiency of the administration. I say in Calcutta the name of the circle is Special circle and 100 per cent of the staff are class II. Headquarters, the percentage is 77.27. The figures for Central Charges are 24.24 per cent class II income-tax officers, for class I companies 56.25 per cent are class II ITOS, for class II companies the figure is 69.23 per cent, class III companies 61.54 per cent and for class IV companies, 62.50 per cent. There are districts where 100 per cent or 90 per cent of the staff are class III ITOS. Yet this Government has the attitude of deceiving people who work for their living. they are discriminating artificially. They keep it hanging fire for a long time.

I must conclude now. I only want to say this. When there is political motivation and coercion, how can it work? We know the case of one big assessee who was summoned by one Finance Minister at one time and asked: look, these are the pending cases. That man was a very politically important man. He was pressurised. He said: Why are you pressurising me on my income-tax issue?....

AN HON. MEMBER: What is his name?

SHRI JYOTIRMOY BOSU: Biju Patnaik.... (Interruptions)

MR. CHAIRMAN: Why are you pro-
voking him to give the name.

SHRI G. VISWANATHAN (Wandi-
wash): We wanted the name of the
Finance Minister.

SHRI JYOTIRMOY BOSU: The then
Finance Minister who was in charge of
Revenue and Expenditure, enforcement
and all those things. Now you under-
stand, I think. They wanted me to men-
tion the name of Ramachandran. I have
got figures but I will not use them now.
Ramachandran is being pressurised and
blackmailed, we know. I am concluding
by saying that you cannot conduct a
search on the first floor and collect funds
for the party on the ground floor and
also expect the taxes to be paid.

श्री मुख चन्द्र झाया (पाली) : टैक्स
एरियस का कलैक्शन एक क्रानिक प्राबलैम
हिन्दुस्तान में बन गया है । मैं दो सवाल
ही करना चाहता हूँ ।

पहला मेरा सवाल यह है कि कितने
केसिस है जिनका एसेसमेंट हो गया है और
उनकी राजि कितनी है जिसके बारे में
मुकदमे चल रहे हैं, कोर्ट में केसिस चल रहे
हैं ? इन मुकदमों के कारण कितनी राजि
घनराजि रुकी पडी है ? यह घनराजि
तब तक रिकवर नहीं हो सकती है जब तक कि
इन मुकदमों का फैसला नहीं हो जाता है ।
जिन केसिस में स्टे हो चुका है, उसमें कितनी
घनराजि इनवाल्ड है ?

आप हरीहाली एसेसमेंट कर लेते है
और उसका नतीजा यह होता है कि लोग
अपील में चले जाते है और स्टेले आते है ।
एसेसमेंट का तरीका बहुत गलत है, डिफैक्टिव
है । इस कारण से भी कितनी घनराजि
आपकी बकतया है ?

दूसरा मेरा सवाल यह है कि दूसरे देशों
में जितनी रिकवरी करनी होती है उसका

कही पात्र परसेंट और कहीं दस परसेंट ही
बकतया रहता है, जापान में तथा दूसरे
देशों में । वांचू कमेटी ने अपनी रिपोर्ट दी
है । मैं जानना चाहता हू कि इस रिपोर्ट
के मिलने के बाद आपने कोई क्या नई बात की
है, नये कदम उठाये है ताकि आमदनी आपकी
ज्यादा होने लगे और इनकम टैक्स की धन-
राजि जल्दी से वसूल होने लगे ।

*SHRI E. R. KRISHNAN (Salem):
Mr. Chairman, Sir, according to the hon.
Minister's own statement, the income-tax
arrears upto 1971-72 stood at 438,60
crores. Sir, the Government have not
taken effective and vigorous steps to
collect the outstanding income-tax arrears.
I would like to substantiate my point by
quoting the case of Shri M. G. Rama-
chandran, Tamil Nadu Cinema Actor,
whose income-tax arrears upto 1971-72
stood at Rs. 23,49,617.

MR. CHAIRMAN: Please put your
question and do not make a speech.

SHRI E. R. KRISHNAN: I am put-
ting my questions only. I want to know
from the hon. Minister whether recovery
proceedings were started by the Central
Government against Shri M. G. Rama-
chandran. Is it a fact that Shri M. G.
Ramachandran went to the High Court
of Madras and obtained a stay order?
I also want to know whether Shri M. G.
Ramachandran on his own withdrew the
case from the High Court in September
1972 as a result of which the stay order
got abated? If that is so, what steps
have been taken by the Government to
make immediate recoveries of the out-
standing income-tax arrears from Shri
M. G. Ramachandran? If no steps have
so far been taken in this direction, I
would like to know whether responsi-
bility for this failure has been fixed on
anyone. I would also like to know whe-
ther the hon. Minister, Shri K. R.
Ganesah, has given political accomoda-
tion to Shri M. G. Ramachandran on

account of which no steps are being taken to collect the huge income tax arrears from Shri M. G. Ramachandran. I wonder whether any steps will ever be taken to collect the income-tax arrears running into several lakhs from him!

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI K. R. GANESH): Sir, this half an hour discussion has been raised on an unstarred question dealing with arrears of income-tax. The question arose as a result of some wrong caption given and on the basis of answers given to that question, Shri Jyotirmoy Bosu has raised this discussion. He has covered many points. As is usual with him, he has tried to impute political motives. He cannot help doing it. That is his stock in trade and I will not go into that.

The question of income-tax arrears is a serious question and it requires serious consideration of the House. It is a matter of concern that Rs. 438 crores and odd should be in arrears. The Government is aware of the seriousness of the problem and we are trying to plug as many loopholes as may be there. The Wanchoo Committee has submitted its report and it contains many recommendations for plugging the loopholes and to see that a proper climate is created and the attitude of the judiciary also changes as far as economic crimes are concerned. That is one aspect.

The other aspect of the matter is how Rs. 438 crores have accumulated.

SHRI JYOTIRMOY BOSU: On a point of order, Sir. I have quoted from the PAC report and CAG's report to show that it is not Rs. 438 crores but much more. Let him not harp on that figure.

SHRI K. R. GANESH: The difficulty with my hon. friend is, he will quote one figure from here, another from there, something from the newspapers, something from some report and he thinks he is making a very wise contribution to the discussion. The CAG's report is

there, but he did not properly read it. When we say Rs. 438 crores, we mean the net arrears.

SHRI JYOTIRMOY BOSU: There is no such thing as net arrears.

SHRI K. R. GANESH: I will read from the CAG's report. I am reading from para 57:

"The total effective demand of tax outstanding on 31st March, 1971 was Rs. 609.45 crores, which includes the demand of Rs. 129.32 crores, the collection of which had not fallen due on 31st March, 1971. Of this, net effective, arrears representing recoverable demand was Rs. 399.82 crores. The balance of Rs. 209.63 crores comprises of the following".

They have given the various items—deduction on account of DIT relief, appellate relief, protective assessment, irrecoverable dues, etc., which comes to Rs. 209.63 crores. So, according to the income-tax department, the effective arrears are about Rs. 438 crores, but according to the CAG it is Rs. 399.82 crores, which is less than our figure. The income-tax department is trying to discuss this matter with the CAG so that we can evolve a proper way in which there is no difference. Our net effective arrears is more than what the CAG has worked out.

These arrears are a continuing process. Rs. 438 crores is not for one year. I would like to give the break-up of these arrears.

Arrears in 1961-62 and earlier—Rs. 55.34 crores. From 1962-63 to 1969-70 it was Rs. 200.82 crores. Arrears of 1970-71 were Rs. 80.82 crores. In 1971-72 it was Rs. 96.62 crores. This is the break-up of the net arrears of Rs. 538.60 crores.

18 hrs.

During the years 1947-48 to 1971-72 against the advance tax demand raised in regular assessments, the collection

[Shri K. R. Ganesh]

amounted to Rs 9694 crores. Out of this, Rs. 438 crores is the net arrears, which works out to less than 5 per cent of the total collections made

I am not going to minimise the importance of Rs 438 crores. I tell you that it is a matter of concern for the government that Rs. 438 crores is in arrears. But it has to be seen in the proper perspective. Compared to the total collection made this constitutes only 5 per cent

During the last occasion when this was raised I had just mentioned that the break-up of Rs 438 crores between the corporate sector and other sectors is not available. After that, we have tried to do some exercise. The share of the corporate sector in these Rs 438 crores is approximately Rs 92 crores. I am saying this is the approximate figures because the final figures are awaited. We will have to get figures from about 2,000 income-tax officers and then arrive at the figure. The total collection from the corporate sector during the last ten years has been Rs 3,295 61 crores and this Rs 92 crores constitutes only 2.80 per cent

Further, it is not as if the larger houses or larger assesseees are being left out. We are taking all possible steps. Some of the cases are pending in courts and it is not possible to realise the money in these cases. So, it has to be seen in the proper perspective

I know that the hon Member will bring in the report of the Comptroller and Auditor General, because the notice he gave us was a very alarming one. So, I have tried to do some home work. He has said that the figures given by the CAG do not tally with the figures given by me and my reply has been given in a perfunctory manner. In fact, the hon Member has not read the report of the CAG fully and by raising this discussion he has tried to mislead the House

Some other hon Members have raised questions about particular assesseees. I do not have with me figures for those assesseees. I require notice for that

18.04 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Thursday the December 14 1972/Agrahayana 23, 1894 (Saka)