

1968, enhancing the export duty on snake skins from 10 per cent *ad valorem* to 25 per cent *ad valorem*."

The motion was adopted

15.06 hrs.

FINANCE BILL, 1968

THE DEPUTY PRIME MINISTER AND MINISTER OF FINANCE (SHRI MORARJI DESAI) : Sir, I move.*

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1968-69, be taken into consideration."

In my Budget speech, I had explained the rationale and the main features of the provisions of the Finance Bill. The details of these provisions have been fully set forth in the Explanatory Memorandum circulated to Hon'ble Members. I am gratified that the Budget proposals have been generally welcomed both in this House and outside. Yet it is only to be expected that there should be some criticism of the proposals. The various constructive suggestions that have been made, for which I am grateful, relate mainly to the field of implementation. I shall try to explain later as to how I intend this aspect to be taken care of in order to avoid genuine hardship.

I have not attempted to undertake any major reform of the tax system, or indeed any thorough going rationalisation. Such major changes can be effected only after examination in depth of the suggestions put forward after careful study by various experts and those that may be made by the Administrative Reforms Commission and others. It would not have been fair to the authors of these reports if hasty decision had been taken. Nor would it have been proper to come to conclusions without availing of the advice of the many experts in this country, both in the House and outside.

Among the proposals relating to direct taxes, the one which has evoked the maximum comments is the increase in penalties leviable under the Wealth-tax Act for concealment of wealth. The purpose underlying the proposals is too obvious to be

disputed. The real cause of concern seems to be that honest assesses may have to suffer hardship in the course of implementation. I would straightaway agree that there can be differences in opinion even among experts on the proper value of an asset, and that therefore concealment should not be too readily presumed when the assessed value of an asset is greater than the value returned. It will therefore be necessary to ensure that the taxpayer, who has made an honest effort to value his assets properly, is not penalised and that in any event penalty is collected only after the correct value has been determined by an independent authority. I propose therefore to increase from 20 percent to 25 percent the permissible margin of difference between wealth assessed and wealth returned before the onus of proof in penalty proceeding is shifted from the Revenue to the taxpayer, while extending this principal to concealment of wealth through under-statement of the value of any asset and over-statement of the value of any debt. Further, there should ordinarily be no occasion for the levy of penalty for under-statement of the value of an asset in cases in which the assessee supports his valuation by the report of an approved valuer; and the taxpayer can thus readily protect himself from the possibility of penalty proceedings. In due course a departmental valuation organisation will be set up; and when this is done, the services of the official valuers—whose valuation will be naturally binding on the tax authorities will be available to taxpayers also. I propose to have administrative instructions issued that penalty for concealment of wealth through under-valuation of assets be recovered only after the valuation has been adjudicated upon by the Appellate Tribunal. I am sure that Hon'ble Members will agree with me that, given these safeguards, the honest will have no difficulties. If those who have hitherto not taken the trouble to value their assets carefully as is their obligation, now do so, a useful purpose will have been served by the proposed provision. I hope it will be appreciated that people having assets should not be above knowing within reasonable variation as to that their assets are really worth. But those who dislike this mundane drudgery can handover the task to approved valuers and the official valuation machinery.

*Moved with the recommendation of the President.

[Shri Morarji Desai]

There has also been some criticism of the provision in the Bill relating to disallowance of expenditure for which a payment is made in an amount exceeding Rs. 2,500 otherwise than by crossed cheque or crossed bank draft. I believe that all Hon'ble Members support the objective of checking tax evasion which this provision is intended to serve. A payments exceeding Rs. 2,500 is after all a substantial one, and it can reasonably be expected that by and large such payments can be made by cheque. It has, however, been suggested that there may be some difficulties in payment by cheques or bank draft in rural areas. In order to obviate any difficulties, powers are being taken under the Bill to notify in the Income-tax Rules the cases and circumstances in which the provision for disallowance will not operate. The draft rules will be circulated for eliciting public opinion before they are finalised.

The Bill provides that a standard deduction is to be made in respect of expenditure on the maintenance of a conveyance for purposes of employment from salary income due after March 31, 1968. The purpose of this provision is to simplify the computation of income of salaried taxpayers. As assessments for 1968-69 are also still to be completed, it would be desirable to expedite these; and I am therefore providing for standard deduction in respect of conveyance for this assessment year also.

The proposal that expenditure by agro based industries on the provision of inputs and extension services to agriculture should qualify for a weighted deduction has been generally welcomed. It has been suggested in certain representations, and also proposed in certain amendments to the Bill tabled by some Hon'ble Members that similar treatment should be extended to expenditure on the provision of inputs and extension services to animal husbandry, dairy and poultry farming. As I agree with these suggestions, I propose to move Government amendments to the provision in the Bill to achieve the enlarged objective. These Government amendments involve only some drafting changes in the relevant amendments tabled some Hon'ble Members.

The Bill provides for a reduction from 4 years to 2 years in the time limit for completion of income-tax assessments in original proceedings for the assessment years 1969-70 onwards. As income-tax assessments have to be completed in chronological order, it follows that the assessments for 1968-69 should also be completed not later than March 31, 1972. I, therefore, propose to provide in the law for the reduction of the time limit for completion of assessments in original proceedings for 1968-69 from 4 years to 3 years of the close of that assessment year. The time limit for preferring claims for the assessment year 1968-69 is proposed to be similarly reduced from 4 years to 3 years.

As Hon'ble Members are aware, Government have instituted a scheme for 5 year fixed deposits with Government bearing simple interest at 5 per cent. per annum. Under this scheme, individuals can make deposits up to Rs. 25,000 and two individuals jointly up to Rs. 50,000. The Bill contains a provision enabling Government to exempt the interest on these deposits from income-tax. Under the existing provisions of the Wealth-tax Act, deposits with Government are exempt from wealth-tax but are taken into account for determining the rate at which wealth-tax is to be charged on the taxable wealth of the investor. Having regard to the position that deposits in the Post Office Savings Bank are wholly exempt from wealth-tax, I now propose to exempt wholly from wealth tax the 5-year fixed deposits with Government.

In respect of indirect taxes it will have been noticed that I have not proposed the imposition of any additional burden on essential articles of mass consumption. The industries affected by the proposed levies submitted a number of representations requesting modifications of the proposals and these representations have been gone into with a good deal of thoroughness. The officer of my Ministry have had several discussions with the trade associations concerns. I have also met some of these associations and gone into their representations. No doubt, some of the industries will have problems of adjustment to the higher level of taxation. Considerations such as that certain industries are

affected by recession, that the levies will affect exports and so on have been put forward. Who have checked that these objections have no real validity, and solutions other than removal or reduction of excise are more appropriate. I have, therefore, come to the conclusion that no substantial changes in the proposals are called for. There are however some procedural difficulties which would need to be removed.

I appreciate that there may be administrative difficulties with regard to collection of revenue from small units in the steel furniture and confectionery industries. To the extent that these units do not use power, they are already not taxable under my proposals. But it would be desirable to exempt some of the smaller units in these industries, even if they use power. I propose, therefore, to grant total exemption on steel furniture upto a maximum level of Rs. 50,000 cleared in any financial year. In the case of units, whose annual production of steel furniture does not exceed a total value of Rs. 2 lakhs, the first Rs. 50,000 of clearances will also be exempted. Similarly, in the case of confectionery, it is proposed to grant total exemption on 20 tonnes cleared in any financial year; this exemption will be available also to those units whose annual production does not exceed 40 tonnes.

I have come to the conclusion that no concession with regard to the rate of duty on confectionery is called for. The young friends who have written to me need have no apprehension that their parents and uncles are going to deny them the usual ration of sweets. They will have their sweets and also the satisfaction of finding their parents contributing towards development.

It has been represented that the collection of tax on an *ad valorem* basis from the embroidery industry will lead to difficulties in view of the large number of varieties. To get over this difficulty the possibility of compounding the levy at a rate per machine per shift has been considered. But a sector of the industry having machines which are old and slow moving did not favour this. It is accordingly proposed to fix tariff values which, while simplifying the assessment, will ensure uniformity of levy.

The levy on radio valves and transistors has been opposed on the ground that it will adversely affect sale of low cost radio receivers. In the current happy trend in the desire to possess transistors and radios and to get the benefit of diversified broadcasting programmes can give any clue, I am confident that there will be a major expansion in the coming years in the market for cheap radios, particularly in view of prosperity in the rural areas. Another criticism made of this levy is that it will encourage smuggling, specially of transistors and valves. I assure the House that we will do everything necessary to curb this activity. I should also like to clarify that the proposed levies will not affect electronic industries other than the manufacture of radio receivers as the component parts will be taxable only when they are designed for use in wireless receivers.

The House will recall that, in order to give some relief to the powerloom weavers, the duty on sized yarn of fine and super fine counts has been reduced and the revenue loss is proposed to be made good by an increase in the duty on processing of fabrics. It has been represented that this may result in some avoidance of processing duty due to transfer of processing from the independent processors to others. In order to reduce such diversion, it is proposed to withdraw the existing exemption from processing duty on fabrics which are finished with the aid of power after having been manually bleached.

In presenting my Budget proposals, I had announced that it is intended to simplify excise procedures by eliminating physical control over removals by excise officers. The administrative arrangements in this regard are underway, and have been discussed recently at a Conference of the Collectors of Central Excise. I hope that the scheme will be introduced by the 1st of June this year.

The proposed increases in the P & T tariffs have been criticised by several Hon'ble Members. Several interesting and ingenious suggestions for effecting economies in postal expenditure have been put forward. It has been suggested, for example, that post cards should be smaller and lighter and that a distinction should be drawn between post cards used for commercial and personal purposes. I am grateful to all

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those who have bestowed so much thought on the subject and I can assure them that their suggestions have been very carefully looked into. Unfortunately, those which are feasible, will not result in any significant economy. After all, as much as 80 per cent of the costs with regard to post cards relate to handling charges.

Before raising the P & T tariffs, the structure of charges in other countries was examined, and the rates that have been proposed compare by no means unfavourably with those prevailing elsewhere. I do not think that I need go into the question of P & T tariffs in detail, as the Minister for Communications has done so during the course of the debate on the Demands for Grants of the Department of Communications. I am glad that he has provided full justification for the proposed increases. I will only say that while Government does not look upon the P & T Department as a major source of revenue, it expects it to pay its way and to generate some internal resources for its capital investment programme.

I should like in conclusion to say a few words regarding the economic situation. The behaviour of prices in the last few weeks, since I presented the Budget to this House has on the whole been satisfactory. The whole-sale price index has continued to decline and at the end of March 1968 it was about 1 per cent. lower than at the beginning of the financial year. The price fall was led by prices of foodgrains in the wake of good kharif harvest and also a substantially improved rabi crop. Hon'ble Members may wish to note that the concern expressed in some quarters about an undue fall in foodgrains prices is, however, not justified considering that cereal prices are still about 4 per cent higher than those prevailing twelve months ago. Government has announced procurement prices for wheat which, in the major surplus area of the Punjab, are at the same level as in the previous season. The procurement prices which have been fixed will provide adequate incentives to farmers. It has also been announced that Government will stand ready to purchase whatever supplies are offered at this procurement price. Shortages of godown space in surplus areas are being attended to. It is my hope that the

Food Corporation of India and the State Governments would do everything possible to procure foodgrains on an adequate scale. I had indicated in my Budget Speech that there were signs of revival of industrial production and these have continued. The improvement in the economic situation in general holds out the prospect of our being able to embark on a renewed tempo of economic development during the Fourth Five-Year Plan, the work for the formulation of which has already begun in right earnest.

Sir, I move.

MR. DEPUTY-SPEAKER : Motion moved :

"That the Bill to give effect to the financial proposals of the Central Government for the financial year, 1968-69, be taken into consideration."

Mr. Dandeker.

SHRI INDRAJIT GUPTA (Alipore) : Before he starts, I would like to make a submission.

There is a notice of amendment for reference of this Bill to a Select Committee; the notice has been given by Shri S. M. Banerjee, who has fallen ill, and he has informed me that he has written to the Speaker authorising me to move his amendment.

MR. DEPUTY-SPEAKER : But the thing is that Mr. Banerjee is not present. Under the rules, it is not permissible...

SHRI INDRAJIT GUPTA : Under the rules it is not prohibited. There is no rule prohibiting this.

MR. DEPUTY-SPEAKER : While you make the submission, you can urge, but as a motion...

SHRI INDRAJIT GUPTA : Since Mr. Banerjee has fallen ill—since Friday he has been seriously ill—he has authorised me.

MR. DEPUTY-SPEAKER : If I were to follow the procedure, he should have written to the Chair before.

SHRI INDRAJIT GUPTA : He has written to the Speaker. How else does it come? He has written formally to the Speaker. Why should this amendment go by default simply because he is not here?

SHRI N. DANDEKER (Jamnagar) : There is no prohibition against that.

MR. DEPUTY-SPEAKER : As a *via media*, if you now give a motion to the same effect, I will permit you.

SHRI INDRAJIT GUPTA : Yes.

AN HON. MEMBER : Move it.

SHRI INDRAJIT GUPTA : I will move. But I have to give it in writing.

MR. DEPUTY-SPEAKER : Yes.

SHRI N. DANDEKER : Mr. Deputy-Speaker, Sir, at the outset I want to make one or two preliminary observations concerning the Finance Bill. A few of them are of importance and have been made in earlier debates on Finance Bills. The first is this, that the Finance Bill is becoming increasingly a *tone* for the amendment of the income-tax Act for the first time last year the nature of amendments become double-barrelled: one set of amendments concerning the income-tax Act as applicable to the current financial assessment year and another set of amendments to come into operation for the next assessment year. When this technique was introduced last year I congratulated the Finance Minister for the reason that since these amendments were necessary for operative purposes this year which he brought into the Bill last year, there would I thought be no necessity this year again to have double-barrelled amendments, once again, some concerned with the current financial year and another set concerned with the next financial year. This causes total confusion both to the assessee as well as to the department, and I emphasise the confusion it causes to the officers of the department because I know a number of them and I have been talking with them and they say that they do not know which way they are pointed when they come to make assessments. Hardly anybody ever knows now what the law is,

The second comment that I would like to make is this. There was an earlier discussion today in the House on a notification moved by the Commerce Minister and it has some bearing on this. Sir, when I was studying these amendments to the various indirect taxes it is quite a surprise to come across a number of them that are proposed to be changed by notifications. When these things are being changed by notification it is impossible in the course of a debate on the Finance Bill to make or suggest any changes in them in the light of the circumstances and the importance of these things, about the merits and the demerits of the changes proposed to be made by notification. I think, Sir, when the Finance Bill is presented like this, it would be better—and I suggest it for the serious consideration of the Finance Minister—that all changes in tariffs were incorporated by way of schedules in the Finance Bill itself, instead of some by way of changes incorporated in the Finance Bill and some by way of changes *via* notification.

Turning now to the provisions of the Finance Bill I wish to comment upon some aspects of the changes in direct taxation. When the Finance Bill was presented to the House along with the budget at the end of February there was a general chorus of approval and praise. Everybody was under the impression that a lot of good things were being done and it appeared that for the first time the Finance Minister had become responsive to public demand about the need for certain changes in the taxation structure at certain points. But on further study, this proved to be merely a technique whereby something is given by the left hand which has been taken away by the right hand; the left hand not knowing what the right hand has been doing. I will give a few examples.

Among the amendments there is provision of flat relief in respect of income from dividends to the extent of Rs. 500, made admissible to everybody. Now, Sir, this change in the taxation structure, a very desirable change, has been countermanded so to speak by the abolition of the spouse allowance where either the husband or wife, if only one of them is earning income, the spouse allowance is admissible; but if both the spouses are earning it is not admissible.

[Shri N. Dandekar]

15.29 hrs.

[Shrimati Lakshmi Kantamma in the Chair]

Madam Chairman, I presume the plural of spouse is "spouses" and not "spise". If both the spouses earning income the spouse allowance is apparently to be admissible to neither.

A consequence of this is going to be—since in modern times the trend is that both husband and wife have to work for their living,—the denial of relief to the extent of Rs. 150 which these happy couples were getting till now, I do not see that this thing has any good in it when you compare it with the supposed benefit resulting from increase in dividend income exemption allowance.

Similarly, Madam, a good deal of merit was claimed, and there is merit,—in the proposed taxation of partners of registered firms in respect of only their net incomes from the profits of registered firms rather than the old arrangement whereby they were taxed on the gross income and credit was given to them, at the average rate of tax, in respect of taxes paid by the registered firms. But, again, having given this by one hand, it was immediately taken by the other, by stepping up the rates of taxation on the registered firms as such, so that there will be a larger tax deduction from the income of registered firms to be taken into account for the taxation of the partners.

Take another instance—the abolition of compulsory annuity deposits and the abolition of the differential surcharge on earned and unearned incomes. Right from the year when annuity deposits were introduced, we, on this side of the House, have been saying that this was a meaningless exercise, it would involve a tremendous amount of hardship, it would involve a tremendous amount of work and the net return would be insignificant. At last one would have thought, that the Government had realised the merits of the criticism and have come forward with the proposition that for the assessment year 1969-70 onwards annuity deposits will be abolished. Similarly, I myself have been systematic and consistent critic of the discriminatory surcharge on unearned income on the ground I suggested and which has now

been accepted, that to differentiate against an unearned income and subject the source of the same unearned income to wealth-tax was utterly unjust. Either there should be a differential surcharge on earned income or the wealth represented by unearned income should be subject to wealth tax, but not both.

These two criticisms having been accepted, what the Finance Minister now seeks to do, negatives entirely all the possible beneficial economic consequences of these changes, by bringing in three counteracting changes. The first is the extension of the period for short-term capital again from 12 months to 24 months; the second is the stepping up of the rates of income tax for incomes beyond Rs. 75,000 and even more for incomes beyond Rs. 1 lakh, by pretty substantial increases in the rates of tax; and thirdly by stepping up the rates of tax on wealth. The net results of all these things in so far as direct taxation of individuals is concerned, the net economic effect, will be precisely nil. The short-lived jubilation that was there among the direct tax-payers has already died down. It seems to me that there is no justification whatever for counteracting the effects of what are admitted to be necessary reliefs that were properly due, by additional tax impositions which were improper.

SHRI N. K. P. SALVE (Betul) : May I point out one thing to the hon. Member on this point ?

SHRI N. DANDEKER : I am not giving way, I am sorry I am not giving way.

SHRI N. K. P. SALVE : The total corporate and individual savings for the private sector which would be realised under the Budget will be to the tune of Rs. 25 crores.

SHRI N. DANDEKER : I am sorry I have not quite followed.

SHRI N. K. P. SALVE : The total corporate and individual savings for the private sector which will be realised under the Budget will be to the tune of Rs. 25 crores. This is the Mr. Palṅkīwālā says on the Budget,

SHRI N. DANDEKER : I do not accept these conglomerate estimates. They are all estimates of estimates. The fact is that as far as I can judge, the really beneficial economic consequences of many of these measures have been, in the aggregate totally counter-effected by the changes to which I have just referred.

The general principle I want to make out of this argument is that it seems to me that either these changes in direct taxes to the extent they were necessary and beneficial were justified on principle or they were not. As far as I remember from the speech of the Finance Minister at the time of the presentation of the Budget, every one of the reliefs that I have just referred to including, I should mention, the abolition of excess dividend tax and so on, every one of them, was justified on merits, as indeed they were. They are changes which we have been urging from this side of the House for several years.

Therefore, it does seem to me utterly senseless to make other changes, as a consequence of this, in terms of counterweights of the kind that I have just referred to.

The second point that I wish to make arising out of these reliefs in direct taxes is this. If they are justifiable in relation to the assessment year 1969-70, what argument can there be for saying that they are not justifiable in relation to the assessment year 1968-69? Either they are justifiable on merits or they are not. If they are justifiable on merits, as I think they are, the sooner they were given effect to including for the assessment year 1968-69, the more rationale there would have been for the whole exercise.

Now, it may be said that the idea was in fact deliberately to counteract them; and since the increases in rates to which I have just referred were to be effective for the assessment year 1969-70, for that very reason, therefore, these reliefs have been limited to commence from the year 1969-70. My answer to that is this. Even if some counterbalance for the following year was necessary, the moment it was admitted for instance that certain types of taxes were not justified or certain modes or taxing had no justification—take, for instance, then non-allowance of the tax paid by a firm as a deduction from the income of the firm before assessing the income of the

partners and so forth—and if those are merits, then I should have thought that those were good merits for the purposes of giving the reliefs straightway from the assessment year 1968-69.

Now, Madam, I want to turn to the very complex question of tax-evasion. This indeed is one subject in this Finance Bill to which I have applied my mind considerably, for this reason that this tax evasion has been with us always and over the years the evil has been increasing. Also over the years legislative changes in the income-tax law have been coming along year after year directed to the objective of either making tax evasion not attractive or, where tax evasion takes place and is detected, to penalise it severely, or as a third step for discouraging tax evasion by encourage voluntary disclosures. Over the last few years, at any rate from the time that I have had the honour in this House to talk on Finance Bills, I think, Madam, we have been on the wrong lines about this altogether. In my judgment, there is a direct relationship between the extent of tax evasion and the level of tax rates. Until the level of tax rates comes within the ambit of what normal people would regard as just—I do not mean those who do not want to pay taxes; I mean the best of men, those who want to pay taxes,—unless the tax level comes within the ambit of what even the honest tax payer considers reasonable and just, and so long as that does not happen and tax rates continue to be beyond reasonable limits, I submit that evasion will continue because I believe there is a direct relationship between the level of taxation and the extent of tax evasion.

My next point is in regard to tax administration. Over the years, in the name of "simplification," tax legislation has been introduced to achieve, if I may use the word "complication". There has been a tremendous amount of harassment resulting from more and more complicated disallowances, more and more complicated modes of computing disallowances about perquisites, about entertainment expenses about advertisements, about payments in excess of what the income-tax officer may consider reasonable and necessary for the purpose of business, and so on. The whole of this formidable apparatus has over the last few years been getting more and more complicated, and in the administration of it, it

[Shri N. Dandekar]

has become more and more harassing, with the consequence that the taxpayers' limit of patience and honesty is really being severely tried.

Another consequence of vicious disallowance is in regard to the effective rate of tax. It is a direct consequence of disallowances that the effective rates of tax are enhanced. Indeed, the assessee does never know what is going to be the effective rate of tax because he can never know just what exactly, and to what extent, the ITO, even within the law, will take a view to disallow—from among all manner of things which ought not ordinarily to be disallowed.

Another consequence of this kind of administration has been delays in assessment, delays in collection, making it more and more possible to indulge in effective tax evasion. Then, year after year, there has been one type of voluntary disclosure scheme after another. On the one hand, one is trying to be pretty severe with tax evaders; but on the other, one says to the tax evader: 'All right. Be a good boy and we will only tax you what ought to have been taxed'. With the result that the honest man finds himself always at a disadvantage.

I think these provisions about voluntary disclosures in the Income-tax Act ought to go. I do not think there is any legitimate room for them. I suggest the honest taxpayer should be the guide both as to the kind of taxation administration and the kind of rate structure, and also the kind of things that would be reasonably accepted as disallowable expenditure for the various types of expenditure I have mentioned.

Then there is the poor performance of both the tax collecting machinery and the punishment imposing machinery. I submit the income tax department, by the very complexity of the whole exercise, has become thoroughly helpless vis-a-vis the real tax evaders and has become a terrible weapon of harassment vis-a-vis the honest taxpayer.

When I look at all that and then take look at this Finance Bill, what do I find? I find the Bill contains yet more doses of the same medicine. There is going to be enhancement in the rates of income tax, and there is going to be enhancement in the

rates of wealth tax; there are going to be further disallowances concerned with perquisites of employees, and entertainment expenses incurred and concerned with introducing new considerations in the matter of disallowances of wages and salaries to employee relatives.

Let me give you an example of the sort of thing I mean. Under the Companies Act, if a relative of a director is employed, there are several sanctions involved. Those sanctions are gone through,—shareholders' approval, Government's approval, where necessary and so on. But once again all those payments to employee relatives, which have been approved and for which appropriate sanctions obtained, are to go under the scrutiny of the ITO, not from the angle to which he was always accustomed, viz. is this necessary? is this excessive? Those criteria he was always competent to apply, and he was applying them. Now he has by this Finance Bill to apply all kinds of complicated criteria for the purpose of disallowance of salaries and wages paid to employee relatives.

As if this was not all, as if this was not enough, in going in exactly the same wrong direction in which over the past five years the policies regarding expense disallowance tax evasion and so on have been going on, we now have the most extraordinary provisions concerning penalties for tax evasion.

I know the Finance Minister has just indicated that penalties will not be imposed until the appellate machinery confirms the assessment; also that it will not be thought of as a "concealment" if the difference between the ITO's assessment and the amount returned by the assessee is only 25 per cent. All this kind of fiddling around with what is essentially bad serves no purpose.

SHRI RANGA (Srikakulam): Giving too much discretionary power.

SHRI N. DANDEKER: It is worse than that. It is not a question of discretionary power.

I would like to take the provisions proposed to be introduced by sec. 32 into the Wealth Tax Act. It comes in, so to speak, by the backdoor by way of "Explanation."

"For the removal of doubts, it is hereby declared that a person shall, for the purposes of clause (c)"—

that is, for the purpose of being held guilty of having deliberately concealed the particulars of income, he will be deemed to have committed an offence.

That is to say, a person will be deemed to have concealed the particulars of any asset or furnished inaccurate particulars of any asset or debt if he has understated the value of the asset or overstated the value of the debt. Even that I would have been prepared to accept. I think most people would accept it; they would ask: what is wrong with it? What is wrong is this. The difference between the value of my asset as I declare it and the asset value assessed by the tax officer is not an objective difference; it is merely a difference of opinion. Under section 7 of the Wealth Tax Act, the value of an asset shall be that which in the opinion of the income-tax officer it would fetch if sold in the open market. I am supposed to declare my opinion, the income-tax officer is supposed to assess it according to his opinion. If my opinion and his opinion differ I shall be deemed to have deliberately concealed the particulars of my income. This is something fantastic. I have never come across it before. Madam, I shall take a bet. Give the particulars of any property to the Finance Minister and let him sit in one room; and with all the data available, let him try to express in opinion as to what will be the market value of that asset. At the same time, let the income-tax officer sit in another room with the same data and attempt to come to an opinion as to what will be the value of the asset, if sold in the open market. And let the assessee himself also work it out. I am prepared to take any bet that these three valuations will not tally. I have had sufficient experience at the taxation department and I have sufficient experience of attempting the valuation of assets, not from the technical point of view but from financial point of view, to know how wide the range of difference of opinion between three perfectly competent people could be. Let me not introduce here any controversies concerning incompetence or dishonesty. Three honest and competent people—Mr. Finance Minister in one room, Mr. Income-Tax officer in another room and Mr. Assessee in the third

room. I am perfectly willing to take any bet that the values that they think the asset will fetch in the open market will differ. There will be difference of opinion; but then the assessee shall be deemed to have deliberately concealed particulars of his wealth. And what would be the penalty? The penalty shall be not less than the amount by which the value was understated and not more than twice that amount. Let me illustrate the consequence. Suppose I happen to be at the lowest slab for wealth tax and the wealth deemed to have been understated by one was a thousand rupees; then the penalty on the tax that I am trying to evade, if I am deemed to be concealing it deliberately, could be something like 4000 times the tax I seek to evade. If you take a person at the top slab, the penalty is comparatively lower. In other words, a person who is deemed to be evading a small amount of wealth tax has to pay more penalty proportionately to the tax he is supposed to be deemed to evade as compared to the man in say, the Rs. 10 lakh slab; he will pay only about 200 times the tax he is seeking to avoid while I shall have to pay 4000 times of what I am deemed to be seeking to avoid. A man at Rs. 15 lakh level will pay something like the amount equal to the tax plus fifty to a hundred times of the tax he is deemed to be seeking to avoid. I have got some calculations made and sent to me by an old Commissioner of Income-tax and he has got fantastic results. Some one whose wealth is Rs. 19 lakhs and is deemed to have concealed Rs. 50,000 of asset, would pay of a tax of Rs. 1000 and a penalty of Rs. 50,000. In the case of some one whose wealth is Rs. 2.5 lakhs and who is deemed to have concealed Rs. 50,000 worth of assets, the tax he is seeking to avoid is Rs. 250 and the penalty on him also would be Rs. 50,000.

If the Finance Minister thinks this is just, then it is extraordinary: that a man who is deemed to be seeking to avoid tax of Rs. 250, I want to emphasise that; will be penalised Rs. 50,000 as a minimum and the maximum is Rs. 1 lakh, and the man who is deemed to be seeking to avoid Rs. 1,000 tax will also be penalised to the extent of Rs. 50,000 minimum, or a lakh of rupees at the maximum. It makes no sense. Surely, the one simple proposition is this.

SHRI MORARJI DESAI: May I suggest to the hon. Member that if the income

[Shri Morarji Desai]

is Rs. 250,000 and he avoids an income of Rs. 50,000, the tax on that Rs. 50,000 will not be less than Rs. 40,000. (*Interruption*)

SHRI-N. DANDEKER : I am talking of wealth-tax.

SHRI MORARJI DESAI : I am talking about income-tax.

SHRI N. DANDEKER: No, I am talking about wealth-tax. I will come to income tax separately. About wealth-tax if I am deemed to be seeking to avoid.-I want to go on emphasising this-Rs. 250 as wealth tax, I am liable to pay a minimum penalty of Rs. 50,000. And if I am deemed to be trying to avoid a thousand rupees wealth tax, or more, as it goes higher and higher, then also I am liable to pay a minimum of Rs. 50,000. Well, Madam it makes no sense to me. There ought to be some relationship between the attempt to avoid tax, especially when I am only deemed to avoid paying the tax, and the amount as penalty which I have to pay.

Similar is the case with regard to income-tax, and I shall deal with it in detail when I come to the clause-by-clause consideration of the Bill. But the point I am presently making is this. The more you have this kind of thing, this is the experience of the last 20 years of taxation in this country, the more you have taxation which honest people will not accept as fair, the more you have disallowance of this, that and the other, of a character that puts the main burden on the income-tax officer, then the result is, a continuous state of harassment, and the assessee will not know where he stands, and so on. And the more you have this sort of vicious penalty, the more of tax evasion you will get. I have had long experience of this although it is 20 years old experience, I have had nine to 10 years experience in taxation with special reference to tax evasion and so on. I have also been watching for the last 20 years the trend of affairs in this country. Despite all this vicious apparatus of high rates of taxation, despite all this harassment, despite the disallowance, despite everything, the trend of affairs in this country is; more than the statutory rate of net effective taxation; more of arrears of tax; to be coll-

ected, more of tax evasion; and more of arrears of tax which will have to be written off. All this has been the history of the last 20 years. And I am sorry to say that it will continue. I do not think that any lesson has been learnt from what has happened over the last 20 years.

I would now like to say a few words about indirect tax on a few items. The main burden of argument concerning indirect taxes. I will leave it to my leader Prof. Ranga. I have already referred to one aspect of it, namely, that even when we have the Finance Bill before the House, a large number of changes in duties are made by notification; and one can hardly say anything about them. Some of them may be of consequence, but you cannot table any amendment on them. However I would like to single out three items for consideration.

First, textiles. The situation in the textile industry over the last 2 or 3 years, particularly in the medium and coarse cloth-making industry, has been so disastrous, the accumulation of stock was so great, the recession was so acute, that when you go on and on with these excise duties on these medium and coarse varieties of cloth, the people are not buying the cloth, not because that the cost of cloth is too high, but because there is no purchasing power with the people to buy at these prices.

Even worse are the proposals in regard to two industries that, I will now mention, which are perhaps the only ones that are at all buoyant in the present state of industrial recession. I refer to the refrigeration plant and airconditioning plant manufacturing industry and the radio and spare-parts industry. These have not suffered so hardly as a result of the recession as many other industries. But if this is the way to pull the country out of the current recession, the industries which have not suffered hit them hard; the industries that have suffered badly hit them hard also,-I really do not see that this makes any sense. You take the refrigeration industry: its ramification for this country's future supplies of foodstuffs of fruit meat, eggs, poultry and so on,-The ramifications are so great and the encouragement it requires is so urgent that I should have said that imposing additional excise duties

or new excise duties—(I am sorry in this complicated jungle of the Finance Bill, I cannot make out whether they are new or additional imposts) seems to be all wrong. Similarly, in the case of the radiois and the their spare parts, Finance Minister said a little while ago that from all the information he has the radio industry has not been doing badly at all. I agree. From the information he has, it may even do better, I also agree. But for heaven's sake, are we in a recession or are we not? Are we going to single out the few industries that have not suffered from recession and hit them hard or are we going to encourage them to retain buoyancy where it exists and do some thing to introduce buoyancy where it is not? That, madam is my brief comment about indirect taxes.

On the whole, I regret to have to say, I have said it a month and a half ago when I was talking to a group of people in Bombay, —I do not think this Finance Bill is as good as it looks. It is like the curate's egg, good in parts; and that is the work one can say for it.

SHRI S. R. DAMANI (Sholapur) : Sir, I rise to support the provisions of the Finance Bill. In view of the prevailing recession in the industry, shyness in the capital market and the need for giving encouragement to export, I think the hon. Deputy Prime Minister has adopted a correct policy in keeping Rs. 290 crores uncovered. This has been appreciated by most eminent economists in this country and abroad. I think in due time this this will bring results and our economy will start improving. Also, this year the crops are better. There was a fear that prices of agricultural commodities may not go down. Therefore, sufficient provision had been made and funds allotted to see that prices of our agricultural commodities do not go down. This gap will also help in checking the prices of our agricultural commodities and it will also restrict the inflationary tendency in the country.

I congratulate the Deputy Prime Minister for removing the annuity deposit, introducing general provident fund, abolishing dividend tax the giving export incentives. All these measures are quite helpful in overcoming the present difficulties.

In the Finance Bill, one important provision has been made that from 1969-70 all income-tax assessments will be completed within a period of 2 years as against 4 years. This will help to reduce our arrears and also help the assessee to know the correct position about his tax liability. I have a few suggestions where a time-limit also may be fixed. Cases which are reopened should also be finalised in 2 years. Income-tax cases where the assessments of the ITO are set aside by the appellate authorities should be completed within one year. Cases which are referred to the Commissioner Central Board of Revenue and appeals before the Appellate Assistant Commissioners should also be finalised within 1 year. These time limits are in the fitness of the policy followed by the Deputy Prime Minister.

0 hrs.

Further, every year the number of assesses is increasing. In 1964 the total number of income-tax assesses was about 14.5 lakhs this year it has gone up to 27.60 lakhs, an increase of about 80 percent. But the number of income-tax officers has not gone up to that extent. There is only an increase of about 20 percent in the case of income tax officers. Now when you are going to ask these officers to complete the assessments within two years it is very necessary that suitably their strength also must be increased.

Besides this there is one other thing that I would like to suggest. Our inspectors in the income-tax department are qualified and trained and according to the policy of the Government smaller assessments up to Rs. 7,500 may be entrusted to them because here we are not going to call the assessee at the time of assessment. If these assessments are entrusted to these inspectors they can make these assessment and our officers will have more time to deal with bigger assessments. They can also devote more time for recovery of the arrears. Therefore, my submission is that this suggestion may be considered.

While I am suggesting that these smaller assessments may be entrusted to the inspectors I realise that there will be an increase in their work. Therefore, I venture to recommend that suitable additional remuneration

[Shri S. R. Damani]

eneration may be paid to them for doing this work. I suggest that Rs. 100 per month extra may be paid to them so that they can carry on this work and when they get experience they can be promoted as officers later on.

Now I want to refer to the textile industry. The previous speaker also referred to it. I am grateful to the hon. Deputy Prime Minister because this time he has given some relief in the excise duty on yarn especially sized yarn. But the increase in excise duty in the previous year was so high that this relief will not help the industry. During the course of this year seven more mills have closed down. The total number of mills which have closed down comes now to 59 and many more mills are at present passing through difficult times. There is every likelihood that some of these mills may also be closed down. Therefore, the textile industry requires special attention especially the spinning mills. Because of the duty at present the stock of yarn with the spinning mills is the highest during the last fifteen years. About 1,29,000 bundles is the stock. They are not making any profit. On the contrary many mills are making a loss. They are not in a position to sell their yarn even at a loss. Therefore, my submission is that the excise duty may be reduced so that they can sell their yarn at a lesser price.

Along with this I also want to submit that the textile industry being primary industry of the country should have been given more importance. It has not been included in the priority industries. It is not getting the advantages of priority industries when many other industries, which are not so important have been included in the category of priority industries. I am not grudging the inclusion of those industries. My grievance is that the textile industry has not been included in that. I say that the textile industry should be included in that so that it can get the advantage of obtaining advance and some tax relief. Therefore, the case of the textile industry should be favourably considered.

Regarding the excise duty on yarn I want to submit that even after the present reduction there will be no loss of revenue. Now there is leakage of revenue. New sizing machines are installed in small towns

where leakages are involved; so the reduction in excise duty will not affect the revenue earnings. Therefore, this should be, favourably considered.

Now some incentives have been given for exports. I may say here that both the public sector and the private sector are making efforts to increase our exports and some success has been achieved. But it will take time. There is recession in the whole world and no country wants to import goods. So, it is very difficult to increase our exports; it is bound to take time.

While our export is stagnant, our imports are increasing, resulting in an adverse balance of payment. Every year our adverse balance of payments comes to about Rs. 800 crores. If we go on increasing our foreign debts at the rate of Rs. 800 crores a year, if we take into account the interest on that also, it will be very difficult for the country to bear the burden of that. Therefore, it is essential that we put restrictions on imports. That is the only way to put our economy on a sound footing.

We can reduce our imports provided we take proper action in the right direction. Now our export earnings come to Rs. 1,100 crores. Out of this traditional exports account of Rs. 600 crores and non-traditional exports Rs. 500 crores. Whatever import is urgently required for, we can meet it with traditional exports. The other imports we can link with non-traditional exports. There are many items in which we are surplus like textile, steel, ore, coal and tea. We can offer these items for export against import from other countries. In this way, we can reduce our imports to a great extent.

Then, after establishing such a big industrial complex in the country, our industries are running with idle capacity. We should give encouragement to our own capital goods industry. We should give incentives for production in our own country. In this connection, I want to repeat the suggestion which I have made earlier. We should allow more development and depreciation rebate on the capital goods manufactured in the country. While it is difficult to stop all imports, if we make some difference in the rates of duties and rebate and give some direct incentives to

our industries, we can achieve our object to a great extent.

Still we are importing many items which we are producing in the country. The other day the hon. Minister of Industries has said in the House that we have to import certain items which we are producing because the seller countries insist that if we do not take those items they will not give other items. In this way certain items which we are producing are being imported. Therefore we should put some restrictions in order to balance our adverse trade balance. If all efforts are made, our trade balance gap which is about Rs. 800 crores can be met to a great extent. This is my feeling.

I would like to make one more point and then conclude. At present a huge quantity of silver is being smuggled out of the country. You will be surprised to know—I think, the Deputy Prime Minister knows it to some extent and he will tell me how far my figures are correct—that every day silver to the tune of Rs. 20 lakhs to Rs. 25 lakhs is being smuggled out. In a year it comes to about Rs. 80 crores. So much silver is being smuggled out for the last two years and it may continue because the price of silver in other countries is very high. Therefore if we regularise its export, we can earn foreign exchange and can also stop the smuggling of many items which is being done at present. We can see that many items are available in the market. Something should be done about silver so that the country may not lose foreign exchange because we are so short of foreign exchange. That foreign exchange will be very helpful to us. With these remarks I support the Finance Bill.

SHRI INDRAJIT GUPTA (Alipore) : Mr. Chairman, I am very grateful to you for giving me permission to move the following amendment which has not been circulated in my name but has been circulated in the name of another Member who is not able to move it.

I move :

“That the Bill to give effect to the financial proposals of the Central Government for the financial year 1968-69, be referred to a Select Committee consisting of 13 members, namely :

Shri Bibhuti Mishra, Shri Tridib Chaudhuri, Shri Kanwar Lal Gupta, Shrimati Sucheta Kripalani, Shri Madhu Limaye, Shri M. R. Masani, Shri Nath Pai, Shri Krishna Chandra Pant, Shri S. C. Samanta, Shri K. N. Tewari, Shri R. Umanath, Shri Tenneti Viswanatham ; and Shri S. M. Banerjee

with instructions to report by the 6th May, 1968.” (220)

SHRI S. S. KOTHARI (Mandsaur) : Mr. Chairman, the principal objective of fiscal policy should be to achieve a high rate of growth with stability. The Budget should be rendered a functional budget which exercises a catalytic effect upon the level of economic activity. Taxation, borrowing and deficit financing in this context assume particular importance because they become instruments for influencing the total economic activity and not just means for raising money for certain Plan projects.

The taxation policy has failed to perform this catalytic function and has retarded growth. India still continues to have the invidious distinction of being one of the highest taxed countries in the world ; particularly, the taxation is higher even than in developed countries like West Germany, USA, UK, Sweden or Japan, both with regard to corporate taxes and personal taxes.

Excise duties also have been mounting from year to year with the consequence that the burden on the common man continues to increase. During periods of recession, monetary incomes and profits tend to decline and these high levels of taxes become dead weights on the economy and retard recovery ?

Excise duties enter into the prices of commodities in a big way, actually ranging from about 15 per cent to 66 per cent on certain items of mass consumption. They erode the standards of living of the masses, lead to diversion of considerable purchasing power to Government coffers and reduce the demand for commodities in general and their off take.

This aggravates recession. Government revenues from excise duties which, at the beginning of the First Plan were about

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Rs. 125 crores and at the beginning of the Second Plan Rs. 416 crores, have now increased to Rs. 1214 crores in 1967-68. Now, the burden of these excise duties on the common man is enormous. If this burden is reduced, it would contribute to the general welfare and it would also assist in the revival of consumer demand. The high excise duties have entered into the cost of commodities, and added fuel to cost-push inflation, and this is the principal reason why, in spite of recessionary trends in the economy, the prices are not coming down as they should. I would, therefore, submit to the Finance Minister that on items of mass consumption, particularly, coarse cloth and various other items which the common man consumes, the excise duties must be reduced. He may do it over a period of two or three years. But that is something which is necessary if the burden on the common man has to be lightened.

I would also draw his attention to the duty he has imposed in this Budget on unmanufactured tobacco and bidi. This is a duty which squarely falls on the poor man and I do not see how he can justify such a retrograde measure.

Progression in corporate taxes is a disincentive for investment, for production and for efficiency and even for honesty. As long as surtax remains on the statute book—it has already been reduced from 35 to 25 per cent—it is futile to expect tax credit schemes like those on increasing profits and production to make any worthwhile impact. In an economy which is passing through recessionary conditions, it will be obvious that there is hardly any *raison d'être* for surtax. There may have been some justification for surtax when prices were rising and windfall profits may have been there to a certain extent. But when profits are declining, when monetary incomes are declining, surtax only makes it more difficult for the economy to revive and, besides, it is a tax on efficiency. This has to go.

The Bhoothalingam Committee has also recommended that surtax must be abolished. I would commend to the Finance Minister that he should have it taken off at the earliest, as may be possible.

When a company is incorporated, it

incurs certain expenditure. There are pre-operational expenses; there are expenses of project preparation and for the floatation of the company and its incorporation. There are various pre-operational expenses of this type. It is an anomaly that these pre-operational expenses are not allowed to be amortised and taken into account for depreciation, nor are they allowed as revenue expenditure. I would strongly submit to the Finance Minister that these should be considered.

Then, the taxes on public companies may go up as high as 70 per cent and on private companies, they may go up even higher. Now, this adversely affects ..

SHRI N. K. P. SALVE : They cannot go higher than 70 per cent. They will never go beyond 70 per cent.

SHRI S. S. KOTHARI : You may use your knowledge when you speak; I know you have some.

These high taxes have two effects on the economy and on the corporations themselves. The first effect is that the capacity of these industries to build up reserves for ploughing back profits for industrial expansion is adversely affected. Secondly, the net marginal productivity of capital is reduced. The return is less than what it would be, if taxes were lower. The attraction to investors to invest in shares is also much less. As a consequence, the companies find difficulty in raising share capital from the market.

A number of countries have effected tax cuts during the last few years, particularly, Japan, West Germany and U. S. A. and the stimulant provided by cut in Taxes assisted in reviving the economy and accelerating economic growth. There was buoyancy in revenue consequent upon the tax cuts and the exchequer did not suffer any loss. I would submit that a tax-structure should be determined by conditions prevailing in the economy, the need for growth with stability and not by ideological considerations.

Now, I would request the Finance Minister to lend his ears to a point which is rather of great importance, and that is that certain dark clouds on the fiscal

horizon have appeared in the form of Bhoothalingam Committee's recommendations on two points. One of it is that Mr. Bhoothalingam has recommended that development rebate should be abolished.

The second item that I refer to is his recommendation that there should be one per cent capital assets levy on corporations. May I submit that these two proposals are, in a manner astounding? The development rebate has played a very important part in the industrial development of the country during the last few years, and if that is taken off, I think, it will, to a certain extent, scuttle future economic growth.

The other point is that the capital assets levy was also tried by Shri T. T. Krishnamachari a few years ago in the form of wealth tax on companies. That was also an innovation and that innovation failed miserably.

Therefore, these two things, in a way, constitute serious blemishes in an otherwise excellent report of Shri Bhoothalingam. I would request the hon. Finance Minister to remove this Sword of Damocles that hangs on the head of industry because if, by any chance, either of these measures is adopted, I think, it would have an incalculably bad effect upon the economy.

May I point out that, with an increase in the price level and inflationary conditions, the minimum tax exemption limit of Rs. 4,000 should be increased at least to Rs. 6,000. It is necessary because the standard of living of the common man has suffered on account of the fall in the value of the rupee owing to increase in the price level. This is something for which there is a considerable demand. Shri Bhoothalingam has gone to the extent of suggesting a limit of Rs. 7,500. If the Finance Minister cannot go to that extent, let him at least raise the limit to Rs. 6,000.

May I submit that, in taking off the obnoxious Annuity Deposit Scheme, the Finance Minister has done a commendable job? I congratulate him on this. But there are certain after-effects. Every bad thing has certain after-effects, and here also there are certain after-effects, i.e., the taxes have gone up considerably because the Annuity Deposit Scheme has been taken off. On an income of

Rs. 40,000, the Annuity Deposit would have amounted to Rs. 3,600. That has been eliminated, but the taxes have increased by Rs. 2,000!

The whole of the income slabs should, in view of the reduced value of money, be re-considered and recast so that middle classes, the dynamic section of society, are given some relief. The income brackets from Rs. 10,000 to Rs. 70,000 or Rs. 60,000 should be reconsidered, should be recast, so that the progression in tax on various income brackets is shifted upwards or, in other words, the tax rates on such income brackets are reduced downwards.

Then, there is no justification, whatsoever, for double taxation of registered firms. The Law Commission and also Shri Bhoothalingam have recommended that this double taxation should be abolished. I would commend to the Finance Minister to have this considered.

May I submit that, actually, during the last decade, the tax structure has been distorted to such an extent and so many inequities have been introduced more or less on an *ad hoc* basis that mere simplification would not render the tax structure production-oriented or growth-oriented. What is necessary is that inequitable and oppressive provisions of law should be removed. Also, de-escalation of the tax rates is, in my opinion, imperative. An innovation has been introduced by the Finance Minister, namely, an exemption of the dividend from tax to the extent of Rs. 500. In Pakistan, I believe, the tax exemption is upto Rs. 5,000. Anyway, that was an excellent innovation; that was one of the very good proposals from the Finance Minister. May I tell him that even income from the Unit Trust is exempt from tax upto Rs. 1,000. Let him consider raising this exempt dividend figure, to Rs. 1,000 if he finds it possible.

The Finance Minister's proposal for the limitation of the period during which assessment should be completed to two years is, indeed, welcome. But it is felt that the I. T. O. may complete the assessment once to comply with the formalities of the law and then flout it by reopening the assessment the next day; to that, there is no limit. I would submit that a limit of two years should also be there in respect of completing reopened assessment. It is also

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Important that there should be a limit to the time within which the appellate decisions are implemented by the I. T. O. At present the I. T. O. can keep them pending for an unlimited period; in certain cases, the appellate decisions are kept pending for two or even three or four years, and nothing is done about them. I think, some limit—six months—is necessary in this regard.

Sir, it should be made obligatory on the part of the Income-tax officers to make provisional assessments, where on submission of a tax return, refund is due to the assessee. At present, the law says that he may do so. If you allow the discretion to vest in the ITO, you may be rest assured that he would never do it because he will always say that he is going to take up the assessment, whatever the period that may elapse. I would even go to the extent of saying that it is the tax evader who flourishes in the present tax-structure, and the honest assessee lives in comparative middle class poverty and dies also a middle-class pauper. I know the Finance Minister would say that whatever may be the Tax structure dishonesty would continue.

SHRI MORARJI DESAI : I have not said that everybody is dishonest.

SHRI S. S. KOTHARI : I am glad he is saying that some people are honest. I accept the point. The point I am trying to make is that there should not be such a cynical disregard of the innate goodness of human nature. If the taxes are brought to reasonable level at least 50 per cent or 75 per cent of the people would follow the straight and narrow path of honesty. As regards the tax evaders, I hold no brief for them and you may deal with them as you think best. If the tax structure is reasonable and good, most people would like to pay the taxes correctly.

SHRI MORARJI DESAI : What is reasonable tax structure, will you say ?

SHRI S. S. KOTHARI : A reasonable tax structure is such that promotes growth and leaves sufficient amount with the individuals for saving and invest-

ment, which can fructify in their pockets, which can lead to further growth and savings. If the economy is flourishing the tax revenues would also be buoyant and the Finance Minister would profit by it. A surcharge of 10% was imposed by Shri Sechin Chowdhury and instead of increasing the revenues it resulted in diminishing returns of taxes. Taxes should be fixed at such a level that diminishing returns do not occur.

The economy at present has lost its capacity to generate savings and surpluses and therefore it has lost its momentum of growth. How can you have momentum of growth if that surplus is not there and if that investment is not there ? Incomes have gravitated to the rural and agricultural sector. It is well and good. Part of that income would have to be re-invested in agriculture itself. And, as regards the balance, it would present difficulties of mobilisation. Efforts have to be made in that direction.

As regards the public sector, it is not generating sufficient returns on capital employed. The yield has gone down from 3.6 per cent to 2.6 per cent and now it is less than 1 per cent. As regards private sector, I would submit that due to various factors, of which taxation in an important one, there are declining profits and return thanks to recession and the poor state of the capital market also, surpluses are small. The consequence is that the economy does not have the momentum of growth, which would enable it to come out of the recession only. The capital output ratio has been consistently declining. It was 2 : 1 in the first plan; 3 : 1 in the second plan and 6 : 1 in the third plan.

That means a deterioration in the use of capital. It is not enough that you just reach your expenditure targets. What is necessary is that the expenditure must be productive; production must balance the amount of money that is either spent or treated as capital outlay. Only then you can hold inflation in check.

May I submit, Sir, that the Planning Commission, now fortunately a subdued creature, is reported to be engaged in exercises with regard to the formulation of the Fourth Plan. I would submit the experiences

of the last decade should not be forgotten. The plan should be compiled with ruthless realism and within the constraints imposed by the existing resources available. A continuous review of the Plan—which should be flexible—is necessary and implementation should be closely scrutinised so as to avoid imbalances and short-falls in targets. Exercises in performance budgeting, in which direction a modest beginning has been made this year, should assist in realistic assessment and identification of areas in which corrective action is needed.

With regard to public enterprises, I would only say that the policy of 'neither carrot nor stick' has the seeds of failure in-built. That means that if you do not give any award or any encouragement or provide incentive for good work and if you do not penalise those who do not function properly in the public enterprises, the consequence would be gross inefficiency. Public enterprises have touched the nadir in the mismanagement and the losses have scaled new peaks. Therefore, I submit—this is very important—that the top men in the public enterprises should not be civil servants or politicians. They should be technocrats and men of skill and experience. Even in socialist countries as well as in capitalist countries the giant corporations which are successfully run are headed by technocrats, people with technical skill. You have to explode the theory that a civil servant can be put in any position. He is good for administration, but as far as industrial management is concerned, my humble opinion is that he has proved a complete failure and a change in the system is absolutely necessary.

I would like to submit to the Deputy Finance Minister that he should exercise about 5% cut in expenditure besides what he has done.

SHRI INDER J. MALHOTRA (Jammu): The hon. Member is referring to Deputy Prime Minister as Deputy Finance Minister.

SHRI S. S. KOTHARI: No, No. Don't worry. I have got the the highest respect for him.

SHRI MORARJI DESAI: What difference does it make?

SHRI S. S. KOTHARI: The areas I would like to identify where economies can be made are the Planning Commission and other departments. Would the Finance Minister kindly listen? He generally says 'How can economy be effected?' I would indicate certain areas—the Planning Commission, the Offices of the Coal and Iron & Steel Controllers, the Food Department, the Indian Embassy in UK and other missions, the Ministry of Community Development and General Administration. Of course, with regard to the outlays on public enterprises, on the floor of the House I had indicated certain criteria and I do not think it is necessary for me to repeat those criteria again. I may just submit that the French Planning Commission have a permanent staff of only 60 civil servants and they have been able to achieve first class results; they are achieving 5% cumulative rate of growth. May I submit the proposition that the success of planning varies in inverse ratio to the number of persons in the planning Department and the number of directions, controls, orders and regulations that are imposed on the industrial sectors of the economy.

Finally, I would just make one point—that is, the need of the hour is the creation of increased opportunities of employment, accelerated investment in the economy and stimulated production. The backlog of unemployment which stood at 7 million at the end of the Second Plan has touched 10 million or even more at the end of the Third Plan. A sound basis for promoting better incomes and living standards is to expand the instruments of production. Sir, the answer to communism and agitations is not as one hon. Member has suggested, banning Parties. That is an absurd solution. The answer lies in providing a multitude of small and large scale industries coming up in the country, so that they can provide gainful employment to the masses. If you do that, you are bound to check the political and economic instability that you see to-day in society. Fiscal and monetary policies have to be rendered production and growth oriented and money must be allowed to fructify and be productive in the hands of those who use it economically and use it beneficially for the country. Incentives to 'work, save and invest' must be maintained so that dynamism is imparted

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to the processes of growth. A stagnant economy does good to nobody.

Therefore, what I would suggest ultimately is this that all the policies should be rendered production-oriented and pragmatic and should not be framed on ideological grounds.

The thinking of the Finance Minister appears to be in the right direction, but it should be matched by implementation. It requires great courage and conviction to reverse wrong policies. Let Morarji Desai rise to the occasion,

SHRIMATI TARKESHWARI SINHA (Barh): The Finance Bill which has been moved for consideration by the Deputy Prime Minister today has taken care to accommodate many of the suggestions which were made during the discussion of the budget and yet in regard to the suggestion which he could not accept he has given certain reasons for not accepting them.

So far as the postal rates are concerned he has not given any relief. The argument that he has given is this that because of the proportionately very high handling charges, he is not in a position to give relief to this aspect because he wants that the P & T Department should be self-sufficient. I wish, that self-sufficiency would be the criterion of Government functioning.

We have seen the reports of the public undertakings. The other day we had a discussion on industrial development and also the steel plants. We had hardly had any time to go into all the questions. This parliament has not been provided with any opportunity to discuss the detailed reports of the Committee on Public Undertakings and the Estimates Committee in a full-fledged manner. Each item which is consuming amounts of the order of Rs. 200 to Rs. 1000 crores and more, requires to be discussed. So much of public money is going into those channels, and it is the function and duty of Parliament to discuss it threadbare.

I would, however, like to submit to the Finance Minister that though he has initiated many moves which will bring about economy, the urgency that should have been shown is not there. I do not know what the reason is, whether the reason is that there is lack of cohesion in the team

that he is in or whether it is the fact that all the other departments including his own are not in a position to co-ordinate with each other and make some effective contribution to the economic challenges which have been posed in the Indian economy. This is the time when the Indian economy has been going through rigorous strains and stresses.

16.38 hrs.

[Mr. Deputy-Speaker in the Chair]

Yet, this was the time when the Indian economy could have taken up the challenges also, and challenges can always become opportunities if they are taken up boldly.

The introduction of economic thinking on whatever is discussed in the budget and also an analysis of the economic pattern of today and the economic conditions certainly gives us an indication that things can be improved. I would say that the Finance Minister today is in a lucky position to take up that challenge, because nature has also helped him to accept that challenge. Of course, I do not give all the credit to nature. It is also due to man's efforts that there has been an agricultural revolution. More than the actual output of agriculture which may be 100 to 105 million tonnes, the revolutionary orientation towards agriculture is much more important. We can gear that orientation towards an affluent society, towards prosperity, because not only cereals but agricultural production in general is the base of all the production ultimately in this country. The raw materials required for industry have to come from agricultural production. The orientation that is given to agriculture is sometimes distorted in the sense that when people really want a viable economy, an orientation of subsidised economy is brought about. A wrong way of subsidy can make people lethargic. A wrong way of subsidy and help has been gifted, whereas help and initiative should have been generated for building up proper perspective of agriculture.

That is what has happened in the agricultural sector.

When we really make an overall budget, we count the investment made in the capi-

tal budget, the investment made in big dams and big reservoirs. If the output of those dams and reservoirs has not been fruitful and has not been up to the mark, is it the fault of the cultivator? Is it the fault of the person who cultivates his land that in spite of thousands of crores of rupees resources spent in our agricultural programmes, the burden of the expenditure has not been properly distributed on the agricultural head? Generally we find this sort of approach. Even Prof. Gadgil has propounded this theory that so much has been spent in the agricultural sector; so why should not that sector be asked to pay back?

First of all, it is not only the pouring in of resources that makes the capacity to pay larger. Actually, investment has to be judged by the viability of the agricultural economy. However much money you may pour in, if it goes down the drain, you cannot put the blame on the agricultural sector for not producing enough and not creating the resources necessary.

I would appeal to the Finance Minister to make agriculture viable, to make agriculture the built-in strength of the Indian economy and then tap the resources.

Why are we asking for banks nationalisation? A lot of misunderstanding was caused about it. But what was the feeling due to which we were asking for it? We were asking for it because today the set-up and orientation of the Indian banks is such that small units have no chance. Even the bigger units have always been making a very small capital base. They were not finding any equity money outside the market. With a small capital base that they get from the market, they approached the investing agencies and get money. Thus they come in the market and dominate important sectors of the economy and no small unit could ever live in competition with them.

Then also the banks have been so narrowly oriented in their outlook that they have confined themselves to only viable urban areas. That is, a particular bank whose headquarters is, say, Delhi, opens branches in Madras, Calcutta and Bombay with the result that they cater only to certain selected population of the society. In spite of all the goadings, to spread into the rural areas, they were not interested in it. That is

why we were insisting, that by a nationalised institution and controlled banking, Government would be in a better position to make banking investment more viable and to redirect it wherever it is desirable. Some of the private banks have done it. Some South Indian banks have done a very good job in the rural areas by spreading to the rural areas with resources; but all the banks have not done so.

The Finance Minister has said that he is going in for an experimentation. He has promised us that he would reach that goal through the social control measures that he has brought forward. I wish he would succeed. We do not doubt his wisdom or sincerity of purpose. I think if he could, he would do it. Let us give a chance to him to see that the mission with which he has brought forward the social control measures, the ambition we have, all together for making banks more viable with a wider network spread all over is realised. If he succeeds through the Bill which is now under reference to the Select Committee and which is very soon coming up back to us for our discussion, that serves the purpose.

But I would like to say this that today, we are in a very lucky position that a lot of money is going to be released in the rural areas. If Government want to tax it immediately, I do not think Government will succeed, because the farmers have not been used to that kind of thing. Their economic pattern has never been geared to that kind of challenge. Therefore, immediately if you start putting tax on the rural areas, income-tax on the rural sector, it will not succeed. I do not deny that there have been vested interests in the rural areas which have minted money because of rise in prices. All the same, I would submit that with the organisation we have, it will be very difficult for the instruments of Government to orient their administrative capabilities to mop up the entire village savings through tax and make it more viable. But there is another way by which the Finance Minister can do it, and that is by opening rural bank branches not in competition with co-operative societies but really supplementing them in the rural areas. These banks and these co-operative societies can act in this field. They have been doing that in Maharashtra and Gujarat.

[Shrimati Tarkeshwari Sinha]

They act as the guide, friend and philosopher. Vested interests should not be allowed to creep in. In Bihar I am sorry to say it is my State co-operatives are being used to promote vested interests. The affairs are conducted in such a callous way that I cannot describe them. Whole families are involved. I know a leading family in a particular village I come from a village constituency established a cooperative society and all the members of that family including their cook and bearers and the maid servants have become members of that co-operative society. If they give to any individual, shares worth Rs. 10,000, they get a promissory note signed for Rs. 15,000 or Rs. 20,000 so that if need be he could be sued in a court for much more than the amount he had really held as shares. This is the kind of co-operative apparatus in Bihar. If this is not checked, it will lead to a vicious circle in the village life. I appeal to the Deputy Prime Minister to ask the Reserve Bank to conduct a proper survey and plug these loopholes so that all the money that we pour in the rural areas may not be misused. The rural banking system could act as a friend, guide and philosopher. The rural bank can issue passbooks for deposits of money received by them and the people in the village should be allowed to take their money; in addition overdrafts also should be allowed on the basis of those passbooks. Whenever a villager harvests his grain he should be allowed to keep them in the village godowns of the small banks or the co-operative banks. Otherwise, he is forced to sell his grains cheaply, under duress. Rural savings can be mopped up in this way and as some of the leading economists in the country say you can get nearly Rs. 500 crores from the rural economy. The people of India have never been wanting in paying their dues and contribution to national life. You, Mr. Deputy-Speaker, are a great student of economics and you know that between the First Plan and the Second Plan the rate of taxation has increased by 45 per cent. It is the people who have contributed this money. But economic problems cannot be solved through taxation alone. Whenever the Government floated loans, people have

contributed and subscribed. When Government has wanted money from the people of this country, they have given it without any difficulty because of their unflinching faith in the Indian Government; they have been giving their love, affection and faith and everything to the Government. It is for the Government to mobilise these and if we can organise rural co-operatives and small banks, I think it can be done. Until and unless we do that we may not be able to get the rural resources which are lying idle or will be frittered away. There are thefts in the villages; there is insecurity. Therefore, they buy gold as they feel they could not be secure with regard to money. Or, they buy jewellery and deposit the gold or jewellery in the banks. That becomes dead money. If we provide them an alternative source of investment from which they could also earn some money they will gladly invest that money in banks.

The Second point is about deficit financing. Sometimes the uncovered balances give a fillip to the economy. If we study the banking operations for the last three months, you will see where the money has gone. Budgetary deficits lead to banking deposits being utilised in holding up goods and commodities available with the business class. The Food Minister was saying the other day that he was interested in taking the price in relative balance on a little lower scale.

But he has not been able to do it. On the other hand, the reduction of prices has been haphazard. At some places, where there is no economic mobility, where from the foodgrains cannot go, the prices have gone down, and where there is a movement, the prices have not gone down. This is because of the fact that there is still some hoarding due to the machinery which operates in the villages. That is why I submit to the Finance Minister that this price stability is very essential for anything, that he wants to do. I do not think reduction of prices is possible in a very big way. It never happens. When the price ratio goes up, it remains up, it has never happened in any economy anywhere in the world that the prices come down once they go up. There should be there-

fore relative balance in prices. I would, therefore, appeal to the Finance Minister to see that the prices are obtained in a relative manner; it should not go up and down; when it once goes up and then comes down, it is no solution to the problem. It will lead to another problem, as for example, the tremendous shortage of sugar in the light of the present prices. So, I want stability in prices in a relative manner, and if we are successful in keeping the stability in prices for 12 months, I think a lot of trouble in Indian economy will go. So, stability in prices should be the main objective of the Indian Government.

I am glad that Prof. Gadgil has made it very clear. He has given certain basic propositions. I must commend one thing; that ever since Prof. Gadgil took over the chairmanship of the Planning Commission, the Planning Commission has started functioning as it should. Here is an honest man who has said, "It is not my job to evolve any policy; it is not my job to decide policy or suggest economic reform or to suggest any economy to deliver the goods. I am giving certain alternatives. It is for the Government to decide their policy and take a policy decision on this matter." The other day we were talking about it. Prof. Gadgil said, "these are the alternatives which I have submitted. It is for the Government to decide; the taking of decision will be at your level and not at the level of the Planning Commission." I am glad that here is a man who has brought a lot of practical approach to the problem with sincerity. Let us take advantage of the situation. But he has also been insistent that the first objective we have to achieve is, stability in the Indian economy. I would appeal to the Finance Minister not to be swung away by the galleries; I would appeal to him never to give in to the lobbies here, there and everywhere and to stick to the basic concept, that you should bring to the present economy in India, an element of stability, so that the people can start thinking that the country's progress has started on a normal movement, that a scientific policy has been evolved and that there is a correct orientation of the programme.

There are certain proposals which were criticised by Mr. Dandekar. Mr. Dandekar wants everything to be given back to business men on a platter. He says everything is bad; every control is bad; every tax is

bad so that the entire revenue of the Government of India should be given back to business. That is what Mr. Dandekar expects. But in spite of all this, he should have appreciated really the concession which have been given by the Finance Minister, looking to the difficulties of the businessmen and looking to the difficulties of the people whom these things have affected. But he wants even the punishments to be reduced. What does he mean by it? We should not make everything so light.

I would like to say something about smuggling Sir, do I have a few more minutes?

MR. DEPUTY-SPEAKER : Yes.

SHRIMATI TARKESHWARI SINHA : You come from Bombay. You know that the entire economy of Bombay is being destroyed by—

AN HON. MEMBER : He comes from Maharashtra.

SHRIMATI TARKESHWARI SINHA : Bombay is in Maharashtra. The hon. Member should have a little more common sense! Now, Sir, I wish the Deputy Prime Minister and Finance Minister when he goes to Bombay—of course he goes there very often—himself finds out these things: he will find that on every platform, on the payments, imported Nylon shirts are available at Rs. 9 each while the nylon shirts which are indigenously produced cost Rs. 37, Rs. 40 or Rs. 42 each. I understand that eight lakh pounds of nylon yarn are lying in Bombay markets. The people say that if you want to erect a plant, you can get that plant by smuggling! Within two months, you can have an entire plant and erect it through smuggling. This is a very sinister move, and some countries outside do that; they want to really destroy our economy. This is a serious matter, that there is smuggling going on from our northern borders, from our eastern borders, from the oceans, from everywhere surrounding India. This sinister game is being played against the economy of our country in which unfortunately our own people some times get involved. To think about this country should be a matter of pride. This Government should set an example for creating national pride. The entire Indian economy is going to be

[Shrimati Tarkeshwari Sinha]

destroyed if smuggling is not stopped. It is not a case of just one or two people smuggling. It is being done in a big way. In spite of our efforts to improve our relations with Pakistan, I am sorry to say that Pakistan and China are conniving in destroying the Indian economy, because they find that the Indian people have so much perseverance that in spite of the hardships which they have suffered, they have sustained themselves. Therefore, this question of smuggling should be tackled on a war-footing.

The objective of our company law is that foreign or even companies will not go on creating fabulous posts of executives. The company law had said that only upto 5 per cent of the company's profit only will be allowed for salaries. I do not know how this has been carried upto 10 or even 15 per cent. There was an alternative—5 per cent of profits or one person should not get a salary of more than Rs. 1,5,000. But I can give the names of companies where this has not been observed—Larsen Toubro, Duncan Brothers, Good Year, Firestone, Jenson & Nicholson—there are Indian companies and foreign companies where the emolument of one individual is more than Rs. 2½ lakhs. Where is the Company law? Whose vested interest is it serving in this blatant manner? I would appeal to the Finance Minister to gear up the company law administration. We are trying to Indianise the foreign companies, The Indian shares, including LIC's, are substantial. If LIC takes the initiative, it can have everything done in foreign companies, because individually the share of LIC is the maximum. A company like Jenson & Nicholson making a loss of Rs. 1 lakh every year, has been appointing persons on fabulous salaries. The first managing director of the company was involved in foreign exchange violation and when he was caught by the Bombay or Delhi customs, foreign currency was found under his shoe sole. After that, Jenson & Nicholson has appointed on a fabulous salary another managing director who has come from Australia. What is the company law administration doing? I brought these things to the notice of the Deputy Prime Minister and he promised to look into them. This is a very serious matter, just under his nose, the company

law department has given permission to the appointment of these executives.

SHRI MORARJI DESAI : The company law administration is not under the Finance Ministry.

SHRIMATI TARKESHWARI SINHA : But he is holding the purse strings of the nation and he is Deputy Prime Minister. I am speaking with a lot of feeling. Our Indian boys and girls are smart and resourceful and they know all the techniques. I am not referring to myself. I am not a boy or girl. I have passed that stage long ago.

MR. DEPUTY-SPEAKER : Some hon. members complained last Friday that I was not quite chivalrous. Now, please conclude with a *sher*. Then the appeal will be more effective.

SHRIMATI TARKESHWARI SINHA : I appeal to the Deputy Prime Minister to look into it seriously. This should not be allowed under his very nose. Of course, we will allow the foreign companies what is their due, but they cannot be unfair to India. We should take it up seriously.

My last point is in connection with LIC.

17.00 hrs.

You know, Sir, that LIC shares, both preference and ordinary shares, in one company and that is Jenson and Nicholson are worth Rs. 60 lakhs. The LIC today is in a position to pull Messrs. Jenson and Nicholson—also other companies like Larsen and Toubro and others—in any way it likes. Which is the company in which LIC does not have a substantial share-holding capacity and if it wants, it can pull them in any way. LIC should not be a sleeping agency but an active, living agency. They should be active enough to gear up the economic situation and make these companies conform to the policies laid down.

Before I conclude, Sir, I want to say only one thing. Though in the past whatever we have said in Parliament has gone completely away over the head of the Ministers, still, we have some hope and on that

I would like to recite a couplet appealing to the Finance Minister :

“न बादा न शिकवा न यकी मगर
हमें तो तेरा इन्तजार करना है।”

SHRI SEZHIYAN (Kumbakonam) : Mr. Deputy-Speaker, Sir, while discussing the Finance Bill which is brought to give statutory form to the financial proposals contained in the Budget it is but natural that it has to take into consideration the very basis and the emphasis of the directions given in the Budget and its proposals. The other day the hon. Deputy Prime Minister replied to the discussion on the Budget and one of his ablest colleagues, Dr. V. K. R. V. Rao, the Minister of Transport intervened. They raised certain basic points which require a closer attention by us.

Dr. V. K. R. V. Rao while intervening in the debate said :

“I venture to intervene in this debate because to my mind the Budget is one that should cause a lot of thinking in the country about the future of our economy and the major objective before us”.

That is quite true. This budget, the basis on which it has been drafted, the future of our economy and the objectives before the Government and the country, all these are to be analysed. One of the important points which was very ably and favourably advocated by the Minister of Transport was deficit financing on which even the hon. Deputy Prime Minister spent much of his time. Even in the budget speech, he has stated that he has done some plastic surgery taking some flesh from here and putting it there. Though he has definitely given pain to the economy, I do not know how far and how much he has succeeded in beautifying the Indian economy. The pain is there, the wound is there, but I am doubtful how it is going to improve the Indian economy.

When the Minister of Transport and the Deputy Prime Minister spoke this year about deficit financing as the best solution and the benefit it is going to bring, it looked as though it was the only panacea available to the country. They almost made a virtue of it as though deficit financing has come to be considered as one of the virtues of public finance, and it has

caught the imagination of many people in rushing to conclusions as to why we should not do many things by deficit financing instead of going to the people, for taxes and other things. No less a person than the Congress President and the Chief Minister of Mysore, Shri Nijalingappa while speaking in Bangalore on March 9th, has gone all out for deficit financing. A report which has appeared in *Statesman* dated 10th March 1968, says :

“Shri Nijalingappa said here yesterday that they should resort to deficit financing if necessary to build medium and minor irrigation projects in the country. He said that he was persuading the Union Government to go in for deficit financing and expressed that they would accept his suggestion”.

It is not only the bright idea of the Deputy Prime Minister, it is also the idea of the Congress President that the Central Government should indulge in this.

“The Chief Minister who was opening the five-day Mysore State Farmers' Conference said to provide assured irrigation facilities it would cost between Rs. 1,000 to 1,500 an acre. He did not mind deficit financing for a few years to complete some of the irrigation projects contemplated”.

If we take the statistics, we will see that it is not so easy to resort to deficit financing to complete any project, not to speak of all irrigational projects. The net area under cultivation now is 334 million acres. The net area irrigated is 61 million acres or 18 per cent. The balance unirrigated is 273 million acres. If we take to the idea of Shri Nijalingappa and try to indulge in deficit financing of Rs. 1,000 per acre, it would come to the astronomical figure of Rs. 27,300 crores of deficit financing. Even if we spread it over 20 years it will come to more than Rs. 1,400 crores a year. This is a very easy solution to all the problems in the country !

Now deficit financing has been made a virtue and it has caught the imagination of everyone. I want to be very serious while discussing this issue. I am quoting all this to show that they have made deficit financing a virtue and a force. Instead of saying that they have given up planning and socialistic pattern and that they are in the doldrums and that they

[Shri Sezhiyan]

have no other way except this, they have made it a philosophy, a virtue. Because, only last year, when the Deputy Prime Minister was introducing the budget, he was very categorical about deficit financing. He said :

"We consider it of the utmost importance that our primary concern of the present moment should be to put an end to the psychology of inflation"—not inflation but psychology of inflation—

"Continued and large budgetary deficits over the past few years have contributed to this psychology. I propose, therefore, in the present budget also to limit the outlays of the Central Government strictly within the resources which can be mobilised in a non-inflationary manner."

Then, while replying to the general discussion on the budget on 14th June 1967, the Deputy Prime Minister stated again :

"As I said, it must be a balanced budget. If it is not a balanced budget and if it leads itself to a deficit then it would harm everybody, and that is not the intention of anybody. I only hope that the balanced budget does not make anybody unbalanced".

Last year he was very much against deficit financing. By bringing a deficit budget this year, I do not know whether by his own definition he has become unbalanced ; it is a matter for him to decide. Last year a balanced budget was considered to be a virtue. This year a deficit budget is considered to be a virtue.

Of all persons, Dr. V. K. R. V. Rao, a noted economist, a Professor of Economics, who was in the Planning Commission and who is now a Minister, he has given full support to this. He says that this is the only way to get out of the rut. Big governmental expenditure, deficit financing everything he has extolled very high. He has been a professor and he has been in the Planning Commission. I do not know whether as a Professor of Economics he was holding the same view because I have not got the good fortune to be one of his students. But one of his students has written in the newspaper of what they were taught by Dr. Rao. The student writes :

"It may seem rather strange that in defending the part played by deficit financing to bring about economic recovery Dr. V. K. R. V. Rao has departed from the stand that he had taken on the subject as an academician.

During his lectures at the University on the applicability of Keynesian economics to Indian conditions, I distinctly remember Dr. Rao asserting that a primary increase in investment through deficit financing will not lead to secondary, tertiary increases in real income and output but only to secondary, tertiary increases in money income and a consequent rise in prices".

The student continues :

"It was Dr. Rao's firm view that to the extent the Keynesian multiplier does not apply to the under-developed countries, the policy of supporting increased investment by deficit financing will only result in increase in prices rather than in increases in output and employment".

The student further writes :

"It is, of course, understandable that Dr. Rao, in his capacity as a professional economist in the Cabinet, is called upon to defend his colleagues but his students would have realised with regret that Dr. Rao has departed from the realm of academics to the realm of politics".

This is what the student says. That is on record. As a professor he has not accepted the theory that through inflation, through deficit Budgets, a stimulation to real development can be given.

Then, this is what he has written in the AICC *Economic Review* just before the Jaipur session, on February 10, 1966. This he had written when he was a member of Planning Commission and had not yet become a Cabinet Minister. The caption of this article was : "How far are we planning for a socialistic society"? The other day when he was defending deficit financing in the Budget, he described himself as "a lifelong democratic socialist and consistently so". He had written in 1966 in the AICC *Economic Review*, Jaipur Session Number :—

"If one were to view the question superficially and statistically, it would appear that considerable progress has taken place. In actual practice, however, economic growth has been much less than contemplated..... There is a great deal of talk and action taken on incentives"—

now also they talk of incentives ; but this is the view that Dr. Rao held in 1966—

"There is a great deal of talk and action taken on incentives, but these incentives do not have a foundation on social impulses nor are they designed to appeal to the cooperative and collective in human nature.... In fact incentives are now being given to those who have made money by evading the law... The socialist psychology and attitude does not exist in any positive or concrete form nor is any action being taken to inculcate such an attitude while simultaneously what may be called the capitalist psychology and capitalist attitude to development is not only growing in significant measure, but is also not being discouraged to grow by governmental policies and programmes".

This is what he wrote in 1966. Probably, within two years conditions might have changed for him, I do not know.

This Budget was brought on the last day of February this year and, I think, he spoke on March 12 or March 13. But this is what he had written on February 1 this year, 1968, again in the AICC *Economic Review* as Minister of Transport. Here he has captioned the article: "Indian Economy At The Crossroads". Because now he has definitely accepted this theory of deficit financing because conditions might have changed—that is what the Deputy Prime Minister has said and I accept this view... (Interruption)

SHRI MORARJI DESAI : May I tell the hon. Member that I have not accepted any theory of deficit financing ?

SHRI SEZHIYAN : Then, I will say, he has resorted to deficit financing. I stand corrected. Can I say that he does not accept it but he has resorted to it ?

In the AICC *Economic Review* dated the 1st February, 1968, under the caption "Indian economy at the crossroads", Dr. V. K. R. V. Rao as Minister of Transport has definitely said this about deficit financing. Within 30 or 40 days how views change ? Have conditions changed ? No, not within 40 days. Here he says :—

"Apart from difficulties of external finance, the lack of availability of internal resources or rupee finance is also leading to slackening of investment in both the public and private sectors with the result that there has been no acceleration of investment during the last two years. An even more disquieting factor is the fact that though we expect a bumper harvest this year, an addition of Rs. 15,000 or so crores to rural income, and a growth of nearly 12 per cent over last year's income, we are not able to step up our investment because of the difficulty of tapping a part of this additional income for resource mobilisation.

In fact, resource mobilisation is our biggest headache today, both in rupee terms for domestic expenditure and in terms of foreign exchange for external expenditure. Deficit financing is no answer to a shortfall in rupee resources nor is foreign aid a satisfactory answer for financing developmental imports."

This is what he has said on 1st February, 1968. He has now come and said that deficit financing has to be included in.

Just now, a friend of mine was saying that the conditions have changed and, therefore, they have to change the measures also. Conditions may change. As a student of mathematics, he should know that only when there are variables, that theorem comes out. The theorem should fit in with so many other variaties. Even if the conditions change, the basic logic, the basic thinking, cannot change. The situation can change.

One of the main arguments that has been brought forward for indulging in this deficit financing is that they got a bumper crop in the current year, 1967-68, they expect a good crop and, therefore, an amount of deficit financing to the order of Rs. 290 crores or Rs. 300 crores can be absorbed in the system of economy. If that is so, it is

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a good thing. Nobody is going to worry or to criticise this. But what is the past experience Did they go by this norm? Did they indulge in deficit financing only whenever they had a bumper crop? I can point out many years when there was a steep fall in production but till they indulged in this deficit financing. I can point out certain years when an equal amount of production was there but the price rose. Their theory is that deficit financing will not allow the prices to rise and that it will be absorbed by the production, by the incentives given and by stimulating the agricultural production.

I have got the statistics of the past 7 years from 1961-62 to 1967-68. In 1961-62, the food production was 82 million tonnes. The deficit financing indulged in was of the order of Rs. 114 crores. Next year, there was a drop in production by 2 million tonnes but the deficit financing was raised to the tune of Rs. 156 crores. Then, next year, it was not so favourable and it was 81 million tonnes, almost stagnant, but still the deficit financing was upto Rs. 167 crores. In 1964-65, the production was 89 million tonnes, that is, the famous bumper crop, and even then also they indulged in deficit financing to the tune of Rs. 172 crores. In 1965-66, the food production went down miserably to 72 million tonnes but the deficit financing went upto Rs. 173 crores. Was it visualised then that there was a fall in production and that the economy will not absorb it? Did they refrain from indulging in deficit financing in low production years? In the year 1966-67 the food production went up to 75 million tonnes, only 3 million tonnes more than previous year, not as good as 89 million tonnes, but the deficit financing went upto Rs. 295 crores. Last year, it was to the tune of Rs. 300 crores and this year it is Rs. 290 crores.

Now, let us look at the wholesale price index. Has that always fallen when there is more production? They say this year, they are going to get 5 to 6 per cent more of industrial production and that they expect a bumper crop. Some conditions were available in the year 1964-65 and in 1965-65. Did the prices fall then? If you take the base of 1950 as 100, in 1963-64, it was 139 and in 1964-65, when production

was 89 million tonnes, still it went to 151 and in 1965-66, next year, it went to 172. Therefore, the argument that it will be absorbed is not borne out. It might be a good wish and a pious hope. But it has not been substantiated by our past experiences.

I want to say one thing more. I do not think deficit financing is bed by itself. Whether it is going to be a demand generator or a supply generator, that is the point to be looked into. If the deficit financing that has been indulged in is going to help production, then it is good. But if it is going to simply add to the demand pulls, then it will push up the price and generate inflationary tendencies.

In 1968-69, they expect a growth rate of 5 to 6 per cent. In 1965-66, as I said, the industrial output was much better, but was not able to take the same dose. If you go through the major tax expectations, they are almost static this year also.

Dr. V.K.R.V. Rao said, while he was speaking, that this was a way of getting out of the stagnation and recession. He said :

"This can be done either by increase in public expenditure, increase in outlay on the public sector, increase in public production, or by stimulating an increase in private enterprise."

He has taken increase in public expenditure also as a measure to give a boom to production! It will only add to the inflationary conditions. If it is a development expenditure, it is well and good, but if it is not a development expenditure, if it is a non-development expenditure, it will add to the inflationary tendency, and non-development expenditure has been given more and more a place in our economy.

If you take the percentage of distribution in the pattern of revenue utilisation between the Centre and the States, if you make an analysis of the three Five-Year Plans, you will find this that the Union Government has been spending more and more of its revenue on non-developmental ones. The States are much better; they give a better value to the money earned by them; though it may appear at first glance that it was the State Governments that always indulged in non-development ex-

penditure and the developmental expenditure is done mostly by the Centre. It is a fallacy.

During the first Five-Year Plan, the Union Government spent 23.4 per cent of its revenue for developmental expenditure whereas 76.6 per cent went for non-developmental expenditure. Then in the Second Plan, the Union Government spent 30.6 per cent for developmental expenditure and 69.4 per cent for non-developmental expenditure; and in the third Plan the Union Government has utilised only 19 per cent of the revenue for developmental ones and the balance of about 81 per cent has gone for non-developmental ones, but the States have spent during the first Plan 54 per cent during the Second and Third Plan about 57 per cent of their revenue on developmental expenditure.

In the budget proposals that the Finance Minister has given, let us take the tax expectations at the existing tax levels and see what has been added; the customs duty at the existing tax level for 1967-68, was Rs. 523 crores and this will be Rs. 520 crores in 1968-69, i.e., Rs. 3 crores less; in the case of excise duty, it was Rs. 1163 crores and now it will go up to Rs. 1249 crores, a slight improvement; in the case of corporate taxation it was Rs. 320 crores and now it will go to Rs. 325 crores; in the case of income-tax, it was Rs. 300 crores and now it will be Rs. 305 crores. Even for Central planning, for which the entire efforts are being made, last year they provided Rs. 1859 crores and for 1968-69 it will be Rs. 50 crores less, i.e., Rs. 1809 crores.

My point is that.....

MR. DEPUTY-SPEAKER : He should conclude now.

SHRI SEZHIYAN : I will finish in two minutes.

When these taxes have become stagnant, when they are not collected more, my simple question is this : will not the addition of money supply increase the disposal incomes and consequently generate inflationary demands on goods and services ?

He may ask, what the other sources are there to avoid deficit financing. Yesterday it has been reported in the papers that

Shri M. R. Masani, who had been the Chairman of the Public Accounts Committee, has reported that, as per the P.A.C. report, last year as much as Rs. 77 crores have been found as infructuous expenditure and could have been avoided. I want to know whether any steps have been taken by the Finance Minister to mop up this.

Then, regarding postcard, one peculiar argument has been put forward, namely, that 75 per cent of the people in the country are illiterate and, therefore, they do not use them and, so, any increase will not affect them. By the same argument, namely, that 75 per cent of the people are illiterate, we can save all the money that is being spent on education, on the papers; all the newspaper offices can be closed... (Interruptions). I want to inform the Deputy Prime Minister that we have found that even the villagers, though they are illiterate, still use them.

They ask somebody to write for them and they use the postcards.

Regarding the income-tax and other things, Sir, I will point out one or two aspects and then I will conclude. Regarding the need to increase in the limit from 5,000 to 7,500 Mr. Bhoothalingam in his report, has analysed this point very clearly. The Finance Minister has always been harping that more and more people should contribute for national development and more and more opportunities should be given to wider sections of the public. That is why he is drawing the net wider to cover all sections of the people...

This is what Mr. Bhoothalingam has said in his final report. He said :

"The drive for enrolling more people in the tax register has produced results which are impressive only superficially. In terms of growth of revenue, even potentially, this rather represents a diffusion of administrative effort. Some hold the view that making large numbers pay direct taxes however small they may be, is in itself desirable in the belief that this represents a sort of participation of the people in the national effort for the mobilisation of resources for development."

He goes on to say :

"Some Revenue officials have estimated that if work on petty assess-

[Shri Sezhiyan]

ments is cut out, the improvement in the quality and speed with which the remaining work can be done e.g. by expeditious disposal of appeals, better investigation, etc. will lead to increase of tax collections by Rs. 100 crores for some years besides an immediate increase of about Rs. 200 crores merely by finalisation of pending assessments."

Regarding the increase of the limit to Rs. 7,500, and how much we are going to lose, he says like this :

"In 1963-64, the revenue from this range of tax payers below Rs. 7500 was only Rs. 5.82 crores."

Sir, even the Economic Review, the Official organ of the AICC, the party to which our hon. Deputy Prime Minister belongs to, has put it unequivocally as follows :

"There is, of course, no relief for the common man in the budget proposals, except that the fears of his position worsening as a result of any new measures have been proved wrong. The relief for the common man is in the lowering of prices of some basic commodities which he needs for his daily use.

It is proof of the general non-resistance to budget proposals that the raising of the price of the post-card is one issue on which most critics are concentrating. We hope the Finance Minister will sense the mood of the country and announce at least some relief here."

I hope the hon. Deputy Prime Minister will take this suggestion into consideration even if he is reluctant to take the advice and the suggestions made by the members of the opposition.

SHRI B. N. KATHAM (Jalpaiguri) :

Sir, I take this opportunity to speak a few words on the Finance Bill. I fully support the measures which the hon. Finance Minister has suggested for improving the present economic situation of the country. His proposals to give some reliefs to all sections of the community is most welcome. In my opinion it is difficult to do more than what he is going to do. Therefore I fully support his Bill.

Then I want to draw the attention of the Government to the situation of North Bengal. Although the chaotic condition created last year at Naksalbari by the anti-social elements has been brought under control, yet the situation on the whole in North Bengal cannot be said to have been normal.

It is far from this. This may be due to economic situation and un-employment. There were labour strikes in some tea gardens which resulted in police firing and serious injuries. Through Government have taken measures to improve law and order situation, other problems have not been solved. There were large numbers of dacoities committed in the past one year throughout North Bengal. About some months back large scale and well-organized dacoities took place in Birpara and Madarihat police stations and good number of persons were injured and many lost their properties. The anti-social elements were led by some political people who are opposed to Government policies. Although the Government were informed about these happenings nothing special was done to prevent such anti-social elements. The people had to face against such criminals without much Government help. Those who suffered by losing their properties and otherwise have not been compensated.

Last year in this House I demanded that Government should come forward with all-out assistance in order to help the rural people for their agricultural development and the like. I mentioned last year that road communications were lacking in North Bengal. I told the House that more and more Community Development Blocks were needed to improve the economic condition of the backward people living in that area. This time also I repeat the same demands because nothing has been done on either of the two suggestions I made then.

There are more than 3 lakhs tribal population in my constituency Jalpaiguri. They are very backward in education and economy. The percentage of literacy is very low. The number of lower Primary Schools also is very small. Therefore children in the interior villages do not get education facilities. Water supply for drinking purpose is scanty. There are hardly any dispensaries and

hospitals within the easy reach of the village people. There are no village roads in most of the tribal areas. Thus the people of my constituency have been deprived of the elementary needs of life.

Therefore I request the Government of India to provide adequate funds to meet the needs of my constituency in the current Budget. I am sure Government of India will give proper attention to these demands, since it is this Central Government which is now responsible for administration of all these matters and it will remain so as long as a new Government is set up in West Bengal.

In my constituency there are several High Schools but facilities for college education is inadequate. There is only one college at Alipurduar in my constituency for higher education. The people had been urging upon Government to set up another Government college at Dhupguri around which place there are several high schools. The children after their Matriculation and Higher Secondary Standard have to stop their studies for want of a college in the locality. They cannot go to distant places for college education because they are economically very backward.

As I mentioned earlier, road communication is very poor in my area. I represented to the Government of West Bengal and also to the Union Ministry of Social Welfare to take some road schemes in the highly concentrated tribal areas of Cooch-Bihar and Jalpaiguri districts. I am sorry to inform that nothing has been done as yet. So I request the Government to take up this scheme as early as possible.

Since there is no responsible Government in West Bengal, the Union Ministry must look into this matter very urgently. In addition to the suggestions I have just now made, I have always been insisting upon the Government to fully cover all the tribal areas in Jalpaiguri with Tribal Development Blocks. This year at least one area should be covered namely Kumargram Thana with Mahakalguri or Kheardanga as its headquarters.

Last of all but not the least I wish to request the Ministry of Home Affairs to look into the grievances of the people as soon as such grievances arise.

In Jalpaiguri recently a police firing

took place on students, as a result students were injured. A judicial enquiry was demanded by the public to go into the alleged police excesses. In my opinion Government should concede this public demand in the interest of justice.

With these words I support the Finance Bill.

DR. KARNI SINGH (Bikaner) : Before I go on to make a few observations on the tax proposals, I want to draw the attention of the hon. Deputy Minister to the question of 83,000 jobless engineers who will be on the roads by next July. I have a newspaper clipping here of the 22nd April, which says...

SHRI RAJARAM (Salem) : Engineers and diploma-holders.

DR. KARNI SINGH : ...that already there are over 40,000 engineers clamouring for jobs. Official figures say that the nation's 138 engineering colleges and 288 polytechnics will add another 17,400 graduates and 24,500 diploma-holders within the next eight weeks. That means that there will be over 83,000 engineers, both graduates and diploma-holders on the road looking for jobs this July. I am sure that the House is very much concerned about the future of our young men coming out of the colleges and schools. We would like to know from the Deputy Prime Minister what steps Government propose to take to absorb them.

Now, I would come direct to the question of wealth tax and the new punitive clauses. I would like to clarify my position at the very beginning, that I have no intention at any stage to justify evasion. In fact, anybody who evades tax is committing a crime and must be justly punished. But I do feel that there are some taxes which fall in the category of natural taxes and some others which are unnatural. I wish to say something about this. The wealth tax when it was introduced was something new to our country and I think it was something that followed out of Prof. Kaldor's suggestions. But the observation which I wish to make today and the request that I wish to make to the Finance Minister today is to abolish wealth tax

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and replace it with once and for all capital levy.

As far as I can understand—and I served on the select Committee eleven years ago—wealth tax was introduced not so much as a source of income to the state but as a socialistic measure. I feel that as a socialistic measure we have virtually achieved nothing from the wealth tax. The object was to remove the disparity in wealth and to bring about an equitable distribution, a target in which we are succeeding at the slow rate of 3 percent now. But in view of the fact that the entire country is concerned about this menace of poverty, I feel that the wealth tax does not go far enough. At the same time, however, the quantum of the wealth tax and the income tax added together in some cases exceeds the income of a citizen. I feel that because of that this is unnatural and it is wrong. I would appeal to the hon. Deputy Prime Minister that he should think in terms of abolishing wealth tax and he should take whatever income he expects from the wealth tax in the next ten or twelve years by one stroke through the capital levy so that there is less disparity between the rich and the poor. I would also further suggest that this money that he will get from the capital levy should be taken and set aside in a separate fund to be used exclusively for the poor brethren of our fraternity, for their housing, for old age insurance and for all the other facilities so that the poor man will have the satisfaction to know that he gets some benefit from the taxation that is taken from the rich.

I would like to say a word about corruption now. When we talk about taxation, a great deal is said about corruption, evasion and false returns. I would like the Finance Minister to take into account the question of stopping the aid being given by business-houses to political parties. I think the stage has come when we found it necessary and in fact are trying hard to clean our political atmosphere. To make our politics, politicians and our Ministers subservient to the strings and pulls of big business is in my opinion a corrupt practice. I would like to see that with immediate effect that the Finance Bill incorporates a section whereby no business-house will be allowed to give any aid to any political party,

The next submission that I wish to make is this; although it does not have an absolutely direct bearing on this, yet, since we are trying to clean our atmosphere and politics in particular, I should mention this. We know perfectly well that in the election returns Members of Parliament or State Legislatures are called upon to file at the end of their elections, the figures in some cases may be very low, but we know from experience that Members of Parliament or M. L. As in order to save their own skin are obliged perhaps to file returns which may not necessarily be absolutely accurate as this large number of successful election petitions prove. If MPs or M. L. As—I do not say who; it may be anybody—file fictitious returns to make sure that no petitions against them are filed for spending more than the stipulated amounts I feel that we, who are the lawmakers, are setting an unhappy example by bowing to corruption at the highest level. I feel that the election law should be so amended that MPs or M.L.As do not have to file false returns thereby cleaning the atmosphere at the source of political power and setting the highest standards of morality and honesty in political life for the rest of the country to follow.

Coming back to the question of tax on an individual exceeding his income, I wish to refer to the directive principle under art. 39 (a) of the constitution which lays down :

“That the citizens, men and women equally, have the right to an adequate means of livelihood”

As I can understand it, every Indian citizen has a right to an adequate means of livelihood. Livelihood, according to me means income. If the total incidence of direct taxes, that is, income tax and wealth tax together is more in the case of some citizens than their total income, then, in my opinion, it vitiates the spirit of this article of the Constitution and is confiscatory. I would, therefore, like to request the Finance Minister that he should create a condition in this country whereby, no matter what the level of taxation is, a minimum percentage of such net income should be left with the individual at the end of the combined effect of all taxation. The amount an individual should have is a matter for this House in its wisdom to decide. But I do feel that a man in a

democracy has a right to live on an income from his capital and to compel a citizen to take resort to live on his capital is undemocratic and unfair. I therefore hope that when the capital levy question is considered, the need for a wealth tax will not be there, the disparity in wealth between the rich and the poor will be minimised and at least the question of poverty will be reduced to some extent.

Now I wish to say a few words about what Prof. Kaldor has said. At that time in his report, he suggested that the maximum rate of tax on income should not exceed 45 per cent as against the present 92 per cent—that was ten years ago—and that the minimum rate of annual wealth tax should be $1\frac{1}{2}$ per cent. I served on the Select Committee at that time and remember the arguments that Shri Krishnamachari advanced. He cited examples of various countries for the various taxes proposed to be introduced in the country, but conveniently forgot that India was the country—at least the only democratic country—where all these taxes together obtained.

I may also quote from memory and say that Sweden was cited very often during those Select Committee meetings as having a very high standard of socialist taxation. As far as I know—I stand to correction the total incidence of taxation in Sweden also does not exceed 80 per cent of the citizen's total income. Therefore, it still leaves the citizen with a small margin of income to live on.

I feel that this country has a few rich and a lot of poor. The rich fall into three brackets; those who have amassed a lot of wealth due to business, whom I feel the wealth tax or other tax structures do not touch because we know of a large number of millionaires who own very large businesses and we also know that when the tax man gets to them, technically they have only their shirt on them; the other section of the society who may be called rich are those who have inherited wealth—they could be farmers or anybody else; then of course, the third category is blackmarketees, the ones with Swiss accounts. I doubt very much if the Finance Minister can get at the last category no matter how hard he might try, but we wish him the best of luck,

However I do feel that there are categories of citizens who fall in the brackets of the reasonably rich, who are honest, who would like to pay their taxes, but because of the unnatural taxes that are imposed on incomes leaving them with a minimum income are sometimes, by compulsion of events and by psychological impact of an unnatural tax led to evade. Nobody supports evasion. But I do feel that if our taxation structure is made natural, perhaps the citizen will not feel the need to evade it or such an idea may not even cross his mind. Briefly, dwelling on the penal clauses which have been introduced in the present Bill, I understand perfectly well the apprehensions in the mind of our Deputy Prime Minister. He is a great man and I have the greatest respect for him. I realise that he is grappling with very large scale corruption and evasion and that he must naturally find ways and means to correct that situation. I feel that he is perhaps using a weapon which is so strong that instead of crushing corruption, it will increase corruption. He must realise that he is dealing with the vast manpower at his disposal—the income tax officers and the persons of the finance department, who are also human beings. All these ITOs are not necessarily as honest and given to fairplay as Raja Rama or Krishna. These men will have the dictatorial powers that were given to Hitler's SS troops or the Red Guards in China and they will probably become an agency for oppression and terror and this agency of oppression will ultimately succumb to corruption. I should humbly submit to the hon. Finance Minister that when he brings in these punitive clauses which are actually confiscatory in nature, he should realise and ponder over these things. I do not know if the House realises exactly how the punitive clauses in the Wealth tax Act have a practical application. I read it only a week ago myself and found that some of its effects were stunning indeed. I shall quote to you just one example of what might happen in a case of wealth tax—what might be considered by the wealth tax department as evasion but a genuine and non-deliberate mistake on the part of a citizen, or under valuation in actual fact resulting in a genuine difference of opinion in valuation of a property,

[Dr. Karni Singh]

From next year, that is, 1st April 1968 the minimum penalty for concealment of wealth or under-valuation of assets rises to minimum of entire valuation of the concealed amount and the maximum penalty of twice the amount. There can be a mistake in valuation. Two people can never agree on one valuation. If the assessment is pending for, say, a period of three years, then the amount would work out by a minimum rate of 100 per cent every year of the wealth concealed. This would mean that on a property which is shown at 15 lakhs and which the officer in his arbitrary judgment feels is worth Rs. 20 lakhs, the minimum penalty would be Rs. 5 lakhs in one year. If such property assessment is not done for three years, the minimum penalty would be Rs. 15 lakhs, which is the total value of the property itself and the maximum would be Rs. 30 lakhs which is twice the total value of the property. In any democratic country, can we have such powers put in the hands of a group of income tax officers, whoever they are and who are, we know, susceptible to corruption because of the generally low level of honesty in the country. While the Finance Minister is trying to plug corruption, these officers are given the power to take twice the value of the entire property while upto today the penalty was on the tax evaded. What is going to be the situation in the country, I shudder to think. I appreciate that as long as Shri Morarji Desai is our Finance Minister nothing will go wrong. We have confidence in him. But what happens when his successor comes? What is going to happen tomorrow? Will not these powers be utilised as political vendetta? I have no doubt in my mind that if politics continues to become corrupt as it does to-day in our country, these dictatorial powers like a police state which you are trying to create, will be utilised as a political vendetta. I hope the character assassination of the people in this country will be stopped at this stage. I may also very respectfully submit to the hon. Finance Minister that if any law is passed today there is no question of any successor Government going back upon it. I entirely concede that the problem of tax evasion is there and we have to grapple with it. But are we going to hang a man for stealing a loaf of bread? Whatever penalty

is imposed, it must bear some relationship to the offence and I hope the hon. Minister will kindly take that into consideration.

There are two fictions that have been created. I wish to quote Mr. V. S. K. Duraiswamy Nadar, who was a Commissioner of Income-tax, and who has made a critical analysis of the provisions in the new Finance Bill. He says :

"The first legal fiction is that a person shall be deemed to have concealed the particulars of any asset or furnished incorrect particulars of it if he has understated the value of the asset in his wealth tax return ...It is common knowledge that no two persons can agree on the valuation of certain assets like immovable property. By no stretch of imagination the genuine difference of opinion regarding the market value of assets, for which there is no market quotation, can be called "Concealing particulars or furnishing incorrect particulars."

"The second legal fiction is that the difference between the value fixed by the Assessing Officer in the Assessment Order and the value shown in the Wealth Tax Return shall be deemed to be the amount of concealment."

Sir, these are very, very serious and grave matters, and I sincerely hope that the hon. Finance Minister will examine this matter carefully.

I will only, in my concluding remarks, say that if such confiscatory and punitive powers are to be vested in the income-tax officers, then, the first and foremost point is, he must ensure that the income-tax officers are punished if they are showing any favour to the citizens or expect favour from them. I know that income-tax officers come and ask us for our cars; they ask us for houses for their weddings, and if these are refused and when we go to the Income-tax Officer for assessment, he will double the tax and say, "Go in appeal." Since the hon. Finance Minister and all of us in Parliament know that such income-tax officers do exist then, what is the sort of country or what is the sort of India that we are trying to build? I would very respectfully submit that while he has given us an assurance that there will be approved

valuers, and departmental valuers will be appointed and so on, while that is welcome I only hope that in the case of over-assessment, the Government will be prepared to buy the property concerned, if the assessee makes such an offer.

The question comes, how does the citizen reach the Finance Minister if a grave injustice is done to him. Sometimes, a large section of the hierarchy of the Finance Ministry, barring the Finance Minister, of course, could be prone to corruption if vested with such vast powers of terrorising the citizens. In a situation like this, how does a citizen manage to reach the Finance Minister for justice? I would like to suggest to him a very old remedy like the one devised by Jehangir who used to keep a bell for justice; a bell that can be rung by any citizen who is threatened by the decisions of the bureaucracy with which the Finance Minister unfortunately wishes to inadvertently agree.

SHRI MORARJI DESAI : I do not require a bell; anybody can come and see me.

DR. KARNI SINGH : It is not that much easy.

SHRI MORARJI DESAI : He came and saw me along with some others.

DR. KARNI SINGH : I am a Member of Parliament.

SHRI MORARJI DESAI : That does not make any difference to me.

DR. KARNI SINGH : Let me put it then in another way. We will suggest it for your successor; what you are doing today will apply to the others also.

Another thing is, there should be an anti-harassment committee, a committee to which any citizen from anywhere can write a letter that a particular income-tax officer is misbehaving or misusing his powers and that committee will be responsible to the hon. Finance Minister. Then at least the citizen will be able to heave a sigh of relief.

SHRI N. K. P. SALVE (Betul) : Mr. Deputy-Speaker, Sir, the pre-budget and the post-budget techniques along with the

budgeting have been so well piloted by the Finance Minister and the coterie of his advisers in the Finance Ministry that it is small wonder that they have been able to successfully reanimate the moribund economy of the country. When I tried to analyse as to what the pre-budget and the post-budget techniques were, I was impelled to draw an inference that it is nothing more than the technique and art in how to win friends and influence people.

As a loyal Congressman, I had supported the budget and stated that it is the best in the circumstances. But I realised soon after speaking on the budget that already there was so much response and canvassing on the floor of the House. We found that the country had almost been hypnotised into accepting that the budget proposals were so dynamic and efficacious, that they were well of way to pull out the economy of the country from the abyss and morass in which it was writhing.

The entire atmosphere in the country was suffused with buoyancy and cheer. Consequently there was improvement in the investment market and industrial production gained a significant momentum.

Exports were improving. More than anything else, prices stabilised. This, I submit, is an extremely happy augury, for it marks the inauguration of the first phase of our real victory against economic recession. I, therefore, must congratulate the Finance Minister and the coterie of his advisers who have performed so well and who have shown matchless expertise and brilliance in the pre-budget and post-budget techniques. However, I warn the Finance Minister that it is necessary for him to keep watching the situation very carefully and ensure that the effervescent sentiments and trends receive enough nourishment, or else, it is likely that our gains on this score might be very short-living.

When I have a look at the tax laws, I am left amazed and wonder-struck that there is an inexplicable and irrational infatuation for sticking on to onerous, cumbersome and labyrinthine laws which are extremely complicated and complex to the point of being incomprehensible either to the tax experts or to the tax-payers. In the preceding six years, we have shattered

[Shri N. K. P. Salve]

and battered the income-tax law with over 600 amendments. As a result, the entire law has been exiled from system and order. There is something much worse than this. So far it was only the tax-payers and tax-experts who thought they were harassed on account of the large-scale incomprehensibility of the income-tax laws. But it is now found that the exchequer is the worst sufferer on account of such incomprehensible laws, which are so confusing and so difficult.

It is a strange vengeance of history that the legitimate grievances of the people in this respect were disregarded and as a result, we find from the audit report of 1967 that exchequer has been badly hit on account of complex laws. On a 10 per cent checking of the assessments, the audit detected an under-assessment, which is a Himalayan figure—of Rs. 740.88 lakhs—considering that it was only a Test check of 10 per cent check. These are purely mathematical errors emanating from the inability of the officers to follow the law. I submit that it is necessary for us to compress our entire income-tax Act into 75 tidy sections, in which case it will be easy for the assessing officers to determine the total income correctly, easily and calculate the tax on the same with precision. Whenever we take up simplification of the income-tax law, it will be necessary for us to ensure that we do not superimpose our confused political ideologies and thinking on such law.

At long last, the annuity deposit scheme has been abolished. It has been rightly condemned as the most unworthy and atrocious experiment in public savings. But for the purpose of repayment of annuity deposit already taken by the Government there are certain sections which are unrepealed. These unrepealed sections will always reveal a sordid story of harassment, torture and humiliation of the tax-payers by a Finance Minister just because the Finance Minister had an insufferable obsession of omniscience and from personal experience I can say his head was strong like the fort of Chittor, impregnable to any reason or persuasion.

I am happy to find that the Finance Minister has today announced certain

amendments he proposes in respect of the wealth-tax Act. That shows he is amenable to reason and persuasion.

Mr. Dandekar supported the abolition of separate surcharge on the ground that where wealth-tax also is leviable, whether the source of such tax is from unearned income or earned income there is no justification for having a special surcharge and a differential rate of taxation on earned and unearned incomes. Now the rates will be the same on earned and unearned incomes. The maximum marginal rate of taxation is 82.5 per cent. I support the removal of separate surcharge on a different ground. This further simplifies the table of rates of taxation, which has created difficulties and complications resulting in under-assessment. Likewise, the introduction of public provident fund scheme is another step in the right direction, which will give a boost to savings by giving certain tax relief. So is the five-year deposit scheme which gives 5 per cent tax free interest. I submit that these are extremely wise expedients of tax reliefs. I wish the Finance Minister considers some more such schemes which will have some more such expedients of tax reliefs to give further bait for economy and saving in our life so that we are able to save funds and make them available to the Government. I hope hereafter when funds are mobilised by these expedients they will be shared with trade and industry.

18.00 hrs.

I next come to clause 7 of the Finance Bill which seeks to insert new section 40-A in the Income-tax Act. This relates to certain disallowances to be made in respect of payments to be made to relations. It provides that where an assessing officer finds certain payments made to relations in excess of the legitimate business needs of the assessee the income-tax officer has to make counteracting disallowance. I submit already the law provides that if there is an extra commercial consideration or if the expenditure is not wholly and exclusively for purposes of business it has to be disallowed. If you insert this section, from experience I submit for the Finance Minister's consi-

deration, not one single case is going to be successful in this respect. There are similar provisions about disallowance of remuneration etc., to directors and most appeals fail against the department and the assessees got relief because income-tax officers under such laws when forced to make a subjective approach in the matter and to bring about a subjective judgement are never able to give substantially cogent reasons to make the disallowance. I only hope that this new section will not be inserted because if this is inserted it will only add to the miseries of the administration which is already marked by petrification of discretion and paralysis of the will to-do justice.

I come next to the most controversial provisions in this Bill regarding penalty. First, I am taking the provisions which will govern the penalties under the Income-tax Act. About this provision not much has been said in this House possibly because no qualitative change in the law of penalty is being made. As the law stands, where an assessee fails to discharge the burden which is cast on him that any disparity in the returned income and the assessed income is not due to fraud or wilful or gross neglect he is liable to be penalised, unless the variation is that of 20 per cent only. To pay a minimum penalty of 20 per cent of the tax attributable to the returned income and the total income computed by the income-tax officer. The minimum is 20 per cent and the maximum is 150 per cent. By the new provision the minimum penalty is kept at 100 per cent and the maximum at 200 per cent. I submit there is no qualitative change in the law. That exactly is my quarrel over this provision because if one is serious about making those provisions as deterrent against tax evasion, then raising them from 150 to 200 is not going to arrest tax evasion. This will only mean that the income-tax officer need not make any endeavour to prosecute culpable assessees and send them to jail. But by imposing such himalayan penalties they will only be augmenting the direct taxes. In this connection I wish to refer to what the public Accounts Committee had to say after examining the officials of the Board of Direct Taxes in very great detail. They found that the income-tax Department was

not prosecuting culpable assessees and no one was sent to jail. Year after year large penalties were being levied. When the Audit tried to find out what was the reason why none was sent to jail when large-scale evasion was rampant the Chairman of the Board of Direct Taxes said: "The burden in a criminal case is on us to prove that the assessee is guilty" and they do not make enough endeavours to be able to prove that the assessee is guilty. Therefore, the Committee was forced to recommend this—I quote from the the Committee's Seventeenth Report, page 32, para 1.97 :

"The Committee feel disturbed at the Income-tax Department levying penalties and feeling satisfied with this action without making out a case for successful prosecution" Proper and adequate investigation would undoubtedly enable the department to get the culpable assessees punished in a court of law. The Committee consider that a penalty should not be imposed to augment tax collection in a routine manner by taking advantage of the relaxation made in 1964 but only after full and careful consideration so that it is imposed on really guilty assessees and it acts as a deterrent to the tax-dodger. The Committee would like to be informed of the instructions issued by the Government in the matter."

After this recommendation, I was looking forward to the provision in the Finance Bill which would provide for compulsory imprisonment for every tax-dodger provided the department conforming to the highest principles of criminal jurisprudence proved that the assessee is guilty, which is not at all difficult. By this provision which we are making the effect will be that the officers will feel complacent and they will take advantage of the relaxation made in law in 1964 as the PAC has pointed out. By the 1964 relaxation in penalty matters the burden of proof was taken away from the department and was cast on the assessee. As a result of that, as soon as there is a disparity in the returned income and the assessed income and the disparity exceeds 20 per cent, the department levies penalty unless assessee proves his innocence. Therefore, they will

[Shri N. K. P. Salve]

levy larger penalties and not make any effort or endeavour to bring the culpable assessee to book and send them to jail.

SHRI MORARJI DESAI : There will be prosecution also. There will be both.

SHRI N. K. P. SALVE : If there is going to be both, then I submit that the penalty for disparity should be very much less, and there are very good reasons for it. If the assessee is guilty and if you want to provide for a real deterrent, why is the department scared initiating prosecution? If an assessee is guilty, it can be proved in a court of law. Now, as it is, the department will levy a large penalty. And if they are not able send him to jail assuage their conscience in the fact that they are at least able to confiscate a large chunk of property from him. This is not very fair law.

Coming next to the Wealth Tax, I submit that the provision as was Contemplated in the Bill was extremely harsh and extremely irrational and I would have really shared the views expressed by Shri Dandekar a little earlier. He is not here at the moment. But I am sorry that he did not carefully listen to what the Finance Minister said a little while ago about these penalty provisions in the Wealth-Tax Act. The Finance Minister in terms stated :

"Further, there should ordinarily be no occasion for the levy of penalties for under-statement of the value of an asset in cases in which the assessee supports the valuation by the report of an approved valuer."

I suppose appropriate provision would be made in Wealth Tax Act to ensure that where an assessee supports the return figure of his assets with the certificate of and expert valuer within the meaning of the Wealth Tax Act and the Estate Duty Act, the assessee will be exonerated completely from the liability of the penalty. This is a very welcome change which the Finance Minister has mentioned today, and I congratulate him for that. But for this I was going to submit that this Bill had made a provision which would have put to shame the late lamented Draco for its Draconian effect. Even

then, I must say that I agree with my hon. friend about the disproportionate extent of the penalty. It is true that the learned Member from the Swatantra Party has created considerable confusion while giving the figures. When Dr. Karni Singhji gave certain figures there was lesser confusion. But, in fact, if the ratio of the penalty and the tax sought to be evaded is correctly worked out, since the highest rate of wealth-tax is 3 per cent and the maximum penalty will be 200 per cent, the penalty will work out to 6666 per cent of the tax sought to be evaded. I would beg of you to consider whether such a disproportionate penalty is warranted and whether in doing so we are not likely to vest far too much authority and power in the hands of the assessing officer, which might create certain difficulties.

The problem of tax evasion is not a simple problem and it is not possible for anyone to give a ready-made solution, as has been attempted by some members to be given to the Finance Minister. Sustained efforts and endeavours are necessary and unless the overall position in the country improves and unless there is eradication of corruption all over it is impossible to expect that we will find that there is decrease in tax evasion.

The entire fiscal policy must be viewed from a more pragmatic and realistic angle if tax evasion is to be eradicated. Only a person blind to realities will say that tax evasion in our country will come to an end without eradicating inefficiency, corruption and injustice from the department.

At the same time, I submit that the department has not been very fair to its officers. Their conditions of service are such that officers do not feel happy remaining in the department. Yesterday I was talking to a very senior commissioner. I asked him, "How are you in Delhi? Are you on transfer to Delhi?" He said, "No, I am out of the department." I told him, "You are a senior man with an exceptional reputation, a very dedicated and able worker. Why are you out of the department?" He said, "I am in Air-India." I asked him, "What are you doing in Air India? Are you driving planes?" He said that he had been given some assignment in Air India

because there were no prospects for promotion left for him in the department. This is most lamentable. It is a serious matter for the Finance Minister to consider. If senior officers get so frustrated that they get out of the department because they find no prospects for promotion in the department, if their dedicated work is going to be rewarded like this, it is impossible to expect that there is going to be really improvement in the standard of efficiency and that there will be dedication in work.

I submit in the end that it is high time we realise that we must not ever expect that bad economics is going to make good politics. The fourth general election has conclusively established that bad economics is, in addition, bad politics in the long run.

श्री अमृत नाहाटा (बाड़मेर) : उपाध्यक्ष महोदय, हमारे वित्त मंत्री जी को फाइनेंस बिल यहां पेश करने का ऐसा मौका मिला है जब हमारी योजनायें छुट्टी पर हैं। लेकिन मैं उम्मीद करता हूँ कि ऐसा फाइनेंस बिल यह आखिरी होगा, और अगले वर्ष जब वह फाइनेंस बिल पेश करेंगे तब चौथी पंच-वर्षीय योजना शुरू हो चुकी होगी।

18.13 hrs.

[Shri G. S. Dhillon in the Chair]

चौथी पंचवर्षीय योजना के सिलसिले में जो बातचीत चल रही है वहां यह सवाल हमारे सामने पेश किया गया है कि अगली योजना में रेट आफ ग्रोथ क्या हो, 4 परसेंट हो, 6 परसेंट 7 परसेंट हो, या 9 परसेंट हो, और सारी हमारी गाड़ी आ कर अटक जाती है रिसीसेज पर, कितने साधन उपलब्ध किये जा सकेंगे और साधनों की वृद्धि किस प्रकार से की जायेगी। जब भी पहले यह सवाल आता था कि देश से गरीबी को मिटाना है, तब हमारे सामने सवाल किया जाता था कि अगर देश की आय नहीं बढ़ेगी, देश की सम्पत्ति और उत्पादन

नहीं बढ़ेगा तो गरीबी नहीं मिट सकती, गरीबी को बांटने का कोई फायदा नहीं है। पहले दौलत बढ़नी चाहिये देश की दौलत बढ़ी है। पिछले बीस वर्षों में कम से कम 42 या 43 प्रतिशत देश की दौलत बढ़ी है। लेकिन यह जो दौलत बढ़ी है वह गई कहां? अगर हम यह मानकर चलें कि उसका एक अच्छा हिस्सा उपभोग में कंजमशन में काम आना चाहिए था, और सही है कि जरूर आना चाहिए था क्योंकि उसके बगैर देश में उत्पादन भी नहीं बढ़ सकता, उस का एक दूसरा हिस्सा पूंजी निर्माण के काम में आ जाय यह बात भी सही है और तीसरा हिस्सा राज्य को वापस टैक्स के रूप में बटोरना चाहिये, यह भी सही है। अगर इस अनुपात को हम देखें तो हम देखेंगे कि हिन्दुस्तान की जो दौलत बढ़ी है उस का बहुत कम हिस्सा उपभोग के काम में आया है, बहुत कम हिस्सा राज्य ने टैक्स के रूप में बटोरा है और बहुत कम हिस्सा पूंजी बढ़ी है।

एक अजीब अनोमली है कि हमारे देश की दौलत बढ़ने के बावजूद भी बढ़ी हुई दौलत जिन दिशाओं में जानी चाहिए थी उसमें से किसी दिशा में वह नहीं गई है। उस प्रपोर्शन में पूंजी निर्माण भी नहीं हुआ, उस प्रपोर्शन में करीदों जनता के उपभोग का स्तर भी नहीं बढ़ा और उस अनुपात में राज्य की आमदनी भी टैक्सों द्वारा नहीं बढ़ी। यह जो समस्या उस पर हम को बुनियादी रूप से गम्भीरता से सोचना पड़ेगा कि इसका हम क्या हल निकालें। हमारी सम्माननीय सदस्या श्रीमती तारकेश्वरी सिन्हा ने एक सुझाव दिया। पिछले कुछ असें से हमारे देश के कृषि क्षेत्र में लोगों की आमदनी बढ़ी है। मैं यह नहीं कहता कि सारे के सारे किसानों की आमदनी बढ़ी है, लेकिन मेरा यह निश्चित मत है कि देश के कृषि क्षेत्र में एक घनिक वर्ग पैदा हुआ है, कृषि क्षेत्र में एक ऐसा वर्ग पैदा हुआ है जिसको घनी किसान या घनी जमींदार कहा जा सकता है, और उसके पास

[श्री अमृत नाहाटा]

काफी आमदनी बढ़ी है। एक ऐसा समाज सामने आया है जिस की आमदनी में जो वृद्धि हुई है उसका एक हिस्सा वापस पूंजी निर्माण हो कर या करों के रूप में राज्य के पास आना चाहिये।

श्रीमती तारकेश्वरी सिन्हा ने जो सुझाव दिया है उस का समर्थन करते हुए मैं अपने उप-प्रधान मंत्री से निवेदन करूंगा कि चाहे बैंकों के सोशल कंट्रोल के अन्तर्गत या किसी भी तरीके से आज गांव गांव के अन्दर कोई ऐसा मेकैनिज्म, कोई ऐसा इन्स्टिट्यूशन पैदा किया जाये जिस से कृषि के क्षेत्र में जो आमदनी बढ़ी है यह वापस माप अप की जा सके। इस सम्बन्ध में मैं निवेदन करना चाहूंगा कि एग्रीकल्चर इनकम टैक्स अगर लागू न किया जाये तो कम से कम राज्य सरकारों से बात चीत करके विचार विमर्श कर के एक ऐसा तरीका अवश्य निकाला जा सकता है जिससे जो लैंड रेवेन्यू है उस को प्रोग्रेसिव बनाया जा सके, ताकि जो एक नया धनिक वर्ग कृषि के क्षेत्र में पैदा हो रहा है वह उचित रूप से अपनी आमदनी की वृद्धि का हिस्सा दे सके और राज्य के जो साधन हैं उनमें वृद्धि हो सके।

मैं यह भी बतलाना चाहूंगा कि कृषि के क्षेत्र में जो नीतियां अब अपनाई जाने लगी हैं उन से भी यह गुंजाइश और यह सम्भावना बनी है कि बहुत बड़े पैमाने पर कृषि में धनिक वर्ग और देश का व्यावसायिक वर्ग प्रवेश कर रहा है, और करेगा तथा कृषि को भी मुनाफे के लिये उपयोग में लाया जायेगा जहां बहुत बड़े पैमाने पर कृषि को उद्योगों में परिणत करने का प्रयत्न किया जा रहा है। उस प्रकार के परिवर्तन का मैं बुनियादी तौर पर विरोधी नहीं हूँ, मेरी यह निश्चित मान्यता है कि आज तक जो कृषि व्यवस्था हमारे देश में चली है उस को यदि उद्योग के रूप में परिणत किया जाय तो एक अच्छी चीज होगी, क्यों कि उस से कृषि का उत्पादन बढ़ेगा। लेकिन इससे कृषि

के क्षेत्र में सामाजिक न्याय की नई समस्याएँ पैदा होंगी। इसकी ओर हमें ध्यान देना होगा।

बुनियादी प्रश्न यह है कि क्या कुछ उद्योग-पति और धनिक किसान वर्ग देश की कृषि की समस्या को हल कर सकते हैं अथवा सामान्य गरीब किसान जिसके पास छोटे-छोटे जमीन के टुकड़े हैं, उसको अगर पूरा प्रोत्साहन दिया जाय तो वह कृषि की समस्या को हल कर सकता है? बहरहाल में इतना अवश्य निवेदन करना चाहूंगा कि कृषि के क्षेत्र में जो कारपोरेट सैक्टर प्रवेश कर रहा है, और जो धनिक किसान वर्ग पैदा हो रहा है उस पर टैक्स अवश्य लगाया जाना चाहिए नहीं तो आज यह हो रहा है कि जमीन को बड़े लोग खरीद कर बैठ जाते हैं। मैं जानता हूँ कि उस पर कुछ पैदा नहीं किया जाता फिर भी किताबों, वही खातों में, उस से हजारों, लाखों रुपयों की आमदनी बतला दी जाती है क्यों कि उस पर कोई टैक्स नहीं है। काले धन को सफेद धन में परिणत करने का एक नया तरीका अस्तयार कर लिया गया है। इस लिये कृषि पर आय कर लगाया जाय या लैंड रेवेन्यू है उस को प्रोग्रेसिव बना कर समस्या हल की जाय।

इनकम टैक्स के बारे में अक्सर कहा जाता है कि इवेजन इस लिये होता है कि टैक्स की दर बहुत ज्यादा है, 90 परसेंट टैक्स की दर है। यहां तक बढ़ा कर बतलाया जाता है कि अगर कोई आमदनी ईमानदारी से अपनी आमदनी के आंकड़े बताना चाहे तो जितनी आमदनी होती है उस से ज्यादा टैक्स देना पड़ेगा। इस लिये वह टैक्स की चोरी करने पर मजबूर हो जाता है। मैं इस सिद्धान्त से सहमत नहीं हूँ। जो लाखों रुपये कमाता है वह टैक्स की चोरी करने के बाद जो लाखों रुपये बचाता है उस से वह अच्छे कपड़े पहनने लगता हो, नहीं तो गरीब नंगा फिरता रहेगा, भूखा पड़ा रहेगा, ऐसी बात नहीं है। अगर आप टैक्स कम भी

कर दें, 92 प्रतिशत से 45 प्रतिशत कर दें, तो भी जो टैक्स की चोरी करने वाला है वह टैक्स की चोरी करेगा। मेरी यह निश्चित मान्यता है कि टैक्स की चोरी करने वाला आदमी पैसें से प्यार करता है, वह कोई अपनी गरीबी को बचाने के लिये या अपने जीवन स्तर को बनाये रखने के लिये टैक्स की चोरी नहीं करता। टैक्स की चोरी तो एक सामाजिक बीमारी हमारे देश में पैदा हुई है। यह सामाजिक मूल्य है। यह सामाजिक मूल्य इस लिये है कि हम ने पैसे की प्रतिष्ठा कायम की है, मेहनत और इन्सान की प्रतिष्ठा हम ने कायम नहीं की है। मैं अपने माननीय सदस्य श्री साल्वे से सहमत हूँ और उन के सुझाव का समर्थन करता हूँ कि क्या हम ने पिछले बीस सालों में किसी भी एक टैक्स चोर को कोई सजा दी है? एक गरीब किसान अगर सरकार से कर्जा लेता है और वह उस कर्ज को वापिस नहीं दे सकता है तो पब्लिक डेट रिकवरी में उसका घर नीलाम किया जा सकता है, उसको सजा दी जा सकती है। लेकिन इनकम टैक्स की जो लोग चोरी करते हैं उन चोरी करने वालों में से एक को भी सजा दी गई जेल की, इसको हमने कभी नहीं सुना है। हमने किसी भी ऐसे व्यक्ति को जेल जाते हुए नहीं देखा है। इस वास्ते मैं समझता हूँ कि आपको कोई तरीका प्रस्तुत करना पड़ेगा इसके बारे में। क्या सरकार कोई तरीका निकाल नहीं सकती है जिससे इतनी जो इनकम टैक्स की चोरी होती है इसको रोका जा सके?

इस टैक्स की बकाया रकम जो इस वक्त 570 करोड़ रुपये है, इसको वसूल करने के लिए भी आपको विशेष कदम उठाने होंगे। यह राशि वसूल नहीं हो पा रही है...

SHRI MORARJI DESAI : He is wrong. It is only Rs. 380 crores.

श्री अमृत नाहाटा : मैं चाहता हूँ कि ये जो एरियर्स हैं इनको भी ब्रूमूल किया जाना

चाहिये। साथ ही साथ टैक्सों की चोरी को रोका जाए।

एक सुझाव काफी अरसे से पेश किया जाता रहा है। यह कहा गया है कि सेल्स टैक्स को एक्साइज ड्यूटी में मर्ज कर दिया जाना चाहिये। कुछ राज्य सरकारें जोकि एफ्लुएंट हैं जैसे बम्बई की राज्य सरकार है या मद्रास की राज्य सरकार है या बंगाल की राज्य सरकार है वे इसका विरोध करती रही हैं। उनका यह विरोध समझ में आ सकता है। उनको डर है, उनको खयाल है कि अगर एक्साइज ड्यूटी में इसको मर्ज कर दिया गया तो उसके बाद उन राज्यों में जो राशि बितरित होगी वह उससे कम होगी जोकि उन के यहां सेल्स टैक्स से प्राप्त होती है। उनको इस में से कम हिस्सा मिलेगा। यह जो उनका डर है यह समझ में आता है। मैं फाइनेंस मिनिस्टर से निवेदन करूंगा कि उन्होंने जो फाइनेंस कमिशन बिठाया है, वह इस पर विचार करे और इसकी जांच करे। मन्त्री महोदय भी राज्य सरकारों से बातचीत करें और इसके बारे में कोई तरीका निकालें और देखें कि जिस अनुपात में अभी सेल्स टैक्स की आमदनी राज्य सरकारों को होती है उसी अनुपात में राज्य सरकारों को उनका शेयर मिले। अगर कोई तरीका निकाला जा सके तो मेरी निश्चित मान्यता है कि एक और हजारों लाखों व्यापारियों का जो हैरासमेंट होता है, छोटे छोटे व्यापारियों का जो हैरासमेंट होता है वह भी कम हो सकता है और साथ साथ सेल्स टैक्स की बसूली के लिए जो बड़ी बड़ी मशीनरियां खड़ी की गई हैं और लाखों रुपया उन पर खर्च किया जाता है, वह बच सकता है। इतना ही नहीं सेल्स टैक्स की करोड़ों रुपये की चोरी होती है, इवेज्ज होना है वह भी बच सकता है। इसका कारण यह है कि एक्साइज ड्यूटी में उतना इवेज्ज नहीं होता जितना सेल्स टैक्स में होता है। यदि सेल्स टैक्स को एक्साइज ड्यूटी में मर्ज कर

[श्री भ्रमृत नाहाटा]

दिया जाए तो कम से कम दो तीन सौ करोड़ की अतिरिक्त आमदनी हो सकती है।

हम यह चाहते हैं कि हमारे देश के साधन बढें। ऐसा करने के लिए हमको कुछ निश्चित रूप से कदम उठाने पड़ेंगे और हिम्मत के साथ उठाने पड़ेंगे। इस सम्बन्ध में मैं वित्त मन्त्री जी का ध्यान इम्पोर्ट एक्सपोर्ट ट्रेड की ओर दिलाना चाहता हूँ। जब हम राष्ट्रीयकरण की बात करते हैं तो हमें कहा जाता है कि ये तो आइडियोलोजिकल कमिडिशन से इस तरह की बात करते हैं। चलो, राष्ट्रीयकरण आप मत करो। लेकिन इम्पोर्ट लाइसेंस जो आप देते हैं उनको नीलाम तो आप कर ही सकते हैं। उनको आप नीलाम करना शुरू कर दें। यह तो समाजवादी तरीका नहीं है, यह तो विशुद्ध पूँजीवादी तरीका है। आप तो जानते ही हैं कि आज ओवर इनवायर्सिंग और ग्रँड इनवायर्सिंग बहुत होता है और इम्पोर्ट लाइसेंसिस को खुले आम ब्लैक में बड़े बड़े प्रीमियम पर बेचा जाता है। अगर आप इसको नेशनलाइज नहीं करना चाहते हैं तो मत करिये। वैसे मेरी निश्चित मान्यता है कि फारेन ट्रेड का राष्ट्रीयकरण किया जाना चाहिये, इससे आपको सैकड़ों करोड़ की आमदनी हो सकती है। लेकिन इसको समाजवादी कदम कहते हैं तो मत करो। आप कम से कम इम्पोर्ट लाइसेंसिस को नीलाम तो करें। इससे भी आपको सैकड़ों करोड़ रुपये की आमदनी हो सकती है, आपकी आमदनी बढ़ सकती है। जो आज आमदनी ब्लैकमार्केटिंग को होती है, वह नीलामी अगर की जाए तो आपको हो सकती है।

अगर आप आज देश में सही मानों में वितरण करना चाहते हैं, समान वितरण करना चाहते हैं और देश के गरीब लोगों के दिमागों और दिलों में यह बिठाना चाहते हैं कि देश की बढ़ती हुई दौलत का अच्छी तरह से वितरण हो रहा है और अगर आप यह भी चाहते हैं कि लोग ज्यादा मेहनत करके ज्यादा दौलत देश

के लिए पैदा करें तो जिस तरह ग्रामीण क्षेत्रों में आपने भूमि सुधार किये हैं। उसी तरह आपको शहरों में भी सामाजिक न्याय स्थापित करना पड़ेगा। आज लाखों रुपया शादियों पर, ताम्रभाम पर रोशनी पर चकाचींघ पर खर्च कर दिया जाता है। शहरी जमीनों की कीमतें भी बढ़ती जा रही हैं। बड़ी बड़ी बिल्डिंग बनती जा रही है और शहरी जमींदार पैदा हो गए हैं। उन पर जब तक रोक नहीं लगाई जाएगी, शहरी जायदाद और शहरी आमदनी पर अगर सीमा नहीं बांधी जाएगी, सीलिंग नहीं लगाया जाएगा, तब तक मैं नहीं समझता हूँ कि हम देश में सामाजिक न्याय की भावना पैदा कर सकते हैं और उसके साथ साथ साधनों को बढ़ा सकते हैं। हमें चाहिये कि हम गम्भीरता से इस प्रश्न पर विचार करें और अर्बन इनकम और अर्बन प्रापर्टी पर सीलिंग लगाने के प्रश्न पर गम्भीरता से विचार करें। अगर हमने ऐसा किया तो देश में एक विश्वास का, एक समानता का और सामाजिक न्याय का वातावरण पैदा किया जा सकेगा। इसके साथ साथ राष्ट्रीय आय में भी और सरकार की आय में भी वृद्धि की जा सकेगी।

मैं यह भी समझता हूँ कि हमारे पब्लिक सैक्टर को भी सरकार की आय बढ़ाने में बड़ा हाथ बंटाना चाहिये। पब्लिक सैक्टर को सुचारू रूप से चलाने के लिए जो बुनियादी बात है उसकी ओर मैं आपका ध्यान आकर्षित करता हूँ। मैं श्री कोठारी की बात का समर्थन करता हूँ कि व्यूरोक्रेट्स, आई सी एस और आई ए एस जो जाते हैं वे इनको ठीक प्रकार से नहीं चला सकते हैं। टेक्नोक्रेट्स जाये। लेकिन इससे भी ज्यादा महत्व की बात यह है कि जो लोग सही मानों में, ईमानदारी के साथ पब्लिक सैक्टर में विश्वास करते हैं, इसको मजबूत बनाना चाहते हैं, जो इसको डेमोक्रेटिक बनाना चाहते हैं, जब तक ऐसे लोग नहीं जायेंगे, जब तक ऐसे लोगों को आप इन उद्योगों को चलाने

की जिम्मेदारी नहीं देंगे, तब तक पब्लिक सैंक्टर मजबूत नहीं बनेगा। जो पब्लिक सैंक्टर को संबोटाज करना चाहते हैं, जो प्राइवेट सैंक्टर से मिले हुए होते हैं, जो पब्लिक सैंक्टर में अपने रिश्तेदारों को रखना चाहते हैं, जो पब्लिक सैंक्टर को बदनाम करना चाहते हैं, उनको आप भेजेंगे तो पब्लिक सैंक्टर कभी मजबूत नहीं होगा। बुनियादी बात यह है कि पब्लिक सैंक्टर में आप उन लोगों को भेजें जो ईमानदारी से समाजवाद में और पब्लिक सैंक्टर में विश्वास करते हों। इसके साथ साथ पब्लिक सैंक्टर में काम करने वाले कर्मचारी जो हैं, जो मजदूर हैं उन में भी यह भावना आपको भरनी पड़ेगी कि यह राष्ट्र का क्षेत्र है और इसको उन्हें मजबूत बनाना चाहिये। उन को उस में पार्टिसिपेट नहीं बनायेंगे, उन में सैंस आफ इनवाल्वमेंट और पार्टिसिपेशन पैदा नहीं करेंगे, मैनेजमेंट में उनका हिस्सा नहीं रखेंगे, तब तक हमारा पब्लिक सैंक्टर एक आदर्श सैंक्टर की मिसाल देश में नहीं रख सकेगा।

18.26 hrs.

ARREST, CONVICTION AND RELEASE OF MEMBERS

MR. CHAIRMAN : I have to inform the House that the Speaker has received two identical communication; dated the 29th April, 1968, from the Sub-divisional Magistrate, Parliament Street, New Delhi, which read as follows :

"I have the honour to inform you that I have found it my duty, in the exercise of my powers under section 64 of the Code of Criminal Procedure, to direct that Sarvashri Kedar Paswan and Gunanand Thakur, Members. Lok Sabha, be arrested under section 188, Indian Penal Code, for defiance of the prohibitory order under section 144, Criminal procedure Code; in force, by taking out a procession near Irwin Statue, in the jurisdiction of police Station, Parliament Street, New Delhi, against Kutch Award.

Sarvashri Kedar Paswan and Gunanand Thakur were accordingly arrested

at 12.10 p. m. on this day the 29th April, 1968, and are being produced before the Judicial Magistrate at Parliament Street Court for trial today."

I have also to inform the House that the Speaker has received the following communication, dated the 29th April, 1968, from the Magistrate, 1st Class, New Delhi, which reads as follows :

"I have the honour to inform you that Sarvashri Gunanand Thakur and Kedar Paswan, Members of the Lok Sabha were tried at the Parliament Street Courts before me on a charge U/s. 188 of the Indian Penal Code for violation of the prohibitory orders U/s 144 Cr. P. C. near Irwin Statue, New Delhi.

On 29th April, 1968 after trial. I found them guilty of an offence U/s. 188 of the Indian Penal Code and sentenced them to imprisonment till the rising of the court.

They were convicted U/s 188 I. P. C. and were released after the rising of the court today the 29th April 1968.

18.27 hrs.

FINANCE BILL, 1968—contd.

SHRI M. SUDARSANAM (Narasaraopet): The budget reflects a policy of reorientation in the right direction and may considerably improve the economic prospects of this country. The welcome measures include abolition of equity dividend tax, reduction of surtax, abolition of annuity deposit, removal of differences between earned and unearned incomes etc. Also, the reduction in the bank rate from 6 per cent to 5 percent should help the capital structure. I am very sorry that not even a single Member from the Opposition has appreciated these facts.

There are, however, some proposals which are likely to have an adverse effect. For instance, there is absence of relief in taxation. Such reliefs as have been given are only marginal. Indeed, new and indirect taxes have been levied. The Central budget together with the railway budget and the proposed increase in the postal rates will

[Shri M. Sudarsanam]

impose a burden on the common man and also on the running industry.

Further, the undesirable features like the difference in the basic rate of tax on public and private companies, requirement regarding distribution of a statutory percentage of dividend in certain cases continue.

There are also a few inequitous provisions in the Finance Bill. Take, for instance, the increase in the incidence of tax on capital gains by bringing within its purview short term capital assets, those that are held for less than 24 months. This is really a serious hardship.

Certain measures have been proposed to check evasion. Take, for instance, cl. 19 and cl. 32 of the Finance Bill. There can be no two opinions about the fact that tax dodgers should be dealt with very severely. However, in order that the measures to check evasion may not hit the honest assessee, it is necessary that the provision relating to concealment of income for income-tax, for under-valuation of assets for wealth tax should apply only if the default is deliberate and wilful—I hope the hon. Finance Minister will bear these in mind—and the same is duly established by and independent authority.

I am happy that our Finance Minister a little while ago gave some guidelines which are for determining the value of assets. I think this is really very helpful. A margin of error of, say, 25 per cent is reasonable. The demand in respect of penalty should invariably be stayed till at least the second appeal stage.

May I also refer to another provision regarding the discretion given to the ITO to disallow payment for goods, services or facilities to the relatives of an assessee or a director of a company on grounds of being excessive or unreasonable not in keeping with legitimate business needs? Can any ITO in fairness be able to discharge the obligation cast on him by this provision? Valuation of goods and services is a very technical task.

श्री देवराव पाडिल (यवतमाल): सभापति महोदय, सादे छ: बज गए हैं। क्लस के मुता-

बिक ग्रव हाफ-एन-भावर डिस्केशन शुरू होनी चाहिए।

MR. CHAIRMAN: I thought the hon. Member would conclude in a minute or two so that another hon. Member could start tomorrow.

How long will the hon. Member take?

SHRI M. SUDARSANAM: I will continue tomorrow.

MR. CHAIRMAN: All right. Then we will have the half an hour discussion now.

18 34 hrs.

COTTON PRICES*

SHRI SHIVAJIRAO S. DESHMUKH (Parbhani): Mr. Chairman, it is very rare that farmers' questions are discussed in this highest forum of the country. This being one of such rare occasions, even though the attendance does not warrant it, I thank you and the hon. Minister who will answer for this discussion.

The primary object of raising this discussion is to bring into focus the carefree manner in which farmers' questions are approached at the secretariat level and even at the political level of the Senior Cabinet Ministers, and how it is that what should normally be the due share of the farmer is denied him.

The question on which this discussion is based raised three points of principle on which the entire cotton policy should rest normally in any country which has something to do with agricultural development. The first was about the prices of raw cotton last year in the November-December period Statewise; the second was what were those prices now at the current market rates; in the third instance, the question raised was: do the Government propose to enforce support price for raw cotton? On all these three vital aspects, the answer given was that the prices of cotton in November-December were so and so, as if