12.20 hrs.

MESSAGE FROM THE PRESIDENT

Mr. Speaker: I have to inform the House that I have received the following message dated the 6th April, 1967, from the President:—

"I have received with great satisfaction the expression of thanks by the Members of the Lok Sabha for the Address I delivered to both the Houses of Parliament assembled together on the 18th March, 1967".

12.20½ hrs.

FINANCE BILL, 1967

The Deputy Prime Minister and Minister of Finance (Shri Morarji Desai):

Sir, I beg to move*:

"That the Bill to continue for the financial year 1967-68 the existing rates of income-tax with certain modifications and the existing rates of annuity deposits and to provide for the continuance of certain commitments under the General Agreement on Tariffs and Trade and the discontinuance of the duty on salt for the said year, be taken into consideration."

As I mentioned in the Statement of Objects and Reasons, this short Bill merely seeks to continue the existing tax structure for the financial year 1967-68, subject to certain modifications in relation to income-tax and also to continue the existing rates of annuity deposits required to be made under the Income-tax Act. I do not, therefore, propose to take the time of this House in discussing the details of the tax rates and annuity deposits. I would only explain two of the important features of the Bill.

12.22 hrs.

[SHRI C. K. BHATTACHARYYA *in the Chair*]

The first feature to which I would refer is the one which relates to the provisions made in the annual Finance Acts during the past few years to provide certain tax rebates to stimulate exports. These rebates which are available to assessees other than foreign companies comprise, firstly, a rebate of 10 per cent of the tax attributable to the export profits and, secondly, in the case of manufacturers of specified commodities, an additional rebate of tax calculated at the average rate of tax on 2 per cent of the sale proceeds of the articles manufactured and exported by them or sold by them to an exporter in India. These rebates were granted under the schemes for providing special incentives for promotion of exports which were in operation prior to the devaluation of the rupee. With the devaluation of the rupee in June last, the justification for continuing these special incentives has ceased to exist. In fact, simultaneously with the announcement of the devaluation of the rupee, Government had announced the discontinuance of the various export promotion schemes and incentives in force prior to the date of devaluation. In conformity with this policy, the Bill seeks to provide for the continuance of the tax rebates in relation to exports only with reference to exports or sales to exporters made before the date of devaluation and not with reference to exports or sales made thereafter.

The second feature relates to the provision in the Finance Act of 1966 for the levy of an additional income-tax on domestic companies of certain categories with reference to their distributions of equity dividends in excess of 10 per cent of the paid-up equity capital. This tax is leviable on domestic companies other than those which are required compulsorily to distribute dividends upto the statutory percentage of their distributable income. The provisions in the Bill for the levy of this tax are, in substance, the same as in the Finance Act of 1966. Thus, under the Finance Act of 1966, as also under the Bill, the additional tax is to be calculated at the rate of 7½ per cent on the company's total

*Moved with the Recommendation of the President.