

Seeds Act, 1966 be taken into consideration."

The motion was adopted

MR. DEPUTY-SPEAKER: We will take up clause by clause consideration. There is no amendment to clause 2. The question is:

"That clause 2 stand part of the Bill."

The motion was adopted

Clause 2 was added to the Bill

MR. DEPUTY-SPEAKER: To clause 3 there are two amendments. Is Shri Naik moving his amendments?

SHRI B V NAIK (Kanara): In view of the clarifications given by the hon. Minister, I do not want to move them.

MR. DEPUTY-SPEAKER: Then I will put all the clauses to the vote together. The question is:

"That clauses 3 to 5, clause 1, the Enacting Formula and the Title stand part of the Bill."

The motion was adopted

Clauses 3 to 5, clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI ANNASHEB P SHINDE: I move:

"That the Bill be passed."

MR. DEPUTY-SPEAKER: The question is:

"That the Bill be passed."

The motion was adopted

15.12 hrs.

MOTION RE: FINAL REPORT OF THE DIRECT TAXES ENQUIRY COMMITTEE.

MR. DEPUTY-SPEAKER: Now we take up the motion of Shri Jyotirmoy Bosu.

"That this House do consider the Final Report of the Direct Taxes Enquiry Committee, laid on the Table of the House on the 20th March, 1972."

for which three hours have been allotted.

SHRI SURENDRA MOHANTY (Kendrapara): The time may be extended.

SHRI JYOTIRMOY BOSU (Diamond Harbour): I beg to move:

"That this House do consider the Final Report of the Direct Taxes Enquiry Committee, laid on the Table of the House on the 20th March, 1972."

Let us start with the birth of this Committee and why it came into existence. On the 19th of December, 1969 in Rajya Sabha a resolution was moved which reads:

"This House is of the opinion that Government should constitute a committee consisting of experts and Members of Parliament to go into the failure of Central Board of Direct Taxes, Ministry of Finance, in the timely collection of taxes and to suggest remedial measures for improving the same."

Accordingly, this Committee was constituted by a resolution dated 2nd March, 1970 by the Government. I will not go into the details of the resolution just now. The object of this Committee is quite clear from what I have read out. But how the Government has ran away, escaped from the issue, that I shall narrate slowly. If we go to an ancient book, the *Indian Tax Reform, Report of A Survey* by Professor Kaldor, it says at page 105:

"The total of assessable incomes in all sectors outside agriculture comes out at almost exactly twice the assessed income. No significances attaches to this precise figure, but it receives some confirmation from the fact that in the only sector in which the figures of income distribution are based on relatively solid material—in mining and factory industry, and where almost the whole of the activity is carried on by companies and hence income is not subject to an exemption limit—the ratio is also 2:1.

[Shri Jyotirmoy Bosu].

If these figures are anywhere near the truth, the amount of income tax lost through tax evasion is more of the order of Rs. 200—300 crores than Rs. 20—30 crores which is sometimes quoted in this connection."

This relates to the Budget of 1956-57 of the Finance Minister. The Government at that particular time had been talking of evasion to the tune of Rs. 20—30 crores. But the eminent professor had very rightly pointed out that the evasion was to the tune of Rs. 200—300 crores. And this report wonderfully tallies with what Shri Rangnekar said in the note of dissent and also in regard to certain portions of the Wanchoo Committee Report.

The final Report of the Wanchoo Committee says:

"As regards the extent of tax evasion, we find that the average rate of tax on the income assessed for 1965-66 was around 25 per cent. But considering that the size of the problem of black money and tax evasion has grown over the years and tax evasion is more widely practised at higher levels of income, it would be appropriate to adopt the rate of tax applicable to evaded income of not less than 33 1/3 per cent for 1968-69. On this basis, the extent of income-tax evaded during 1968-69 would be of the order of Rs. 470 crores, being one-third of Rs. 1,400 crores. The money value of deals involving black income may, therefore, be not less than Rs. 7,000 crores for 1968-69 . . ."

These are revealing facts.

Then, the economist member in the Committee in his note of dissent has pointed out

"My exercise which is based on a detailed analysis of expenditure statistics for the different sectors of the economy would seem to suggest that the tax-evaded income in 1961-62 was of the order

of Rs. 1,150 crores as compared to the estimate of Rs. 811 crores mentioned in para 2.17 of the main report. For 1965-66, my estimate of "black money" is of the order of Rs. 2,350 crores as against Rs. 1,216 crores mentioned in the report. It is not my claim that my estimates are absolutely accurate, but I think, they probably approximate more to the realities. Estimates of black income sector-wise are given below in respect of the year 1965-66:—

Industrial Sector—Rs. 677 crores

Trade, transport, etc—Rs. 975 crores.

Construction—Rs. 262 crores.

Films, professions and other services—Rs. 439 crores."

The Directorate of Inspection (Research, Statistics and Publications) has said that for 1961-62 alone, Rs. 811 crores was the amount which escaped tax. Other figures are equally staggering.

Then, I quote from *Economic and Political Weekly* which gives very useful figures.

"As may be observed from Table 1. during all the years from 1951-52 to 1964-65, the non-farm household income assessed to income-tax rarely exceeded one-third of the actual assessable income (i.e. the actual income accruing to the high-income households). In other words, about two-third of the non-farm assessable income gets concealed from the taxation authorities.

It follows therefore, that the actual incidence of direct taxation on the non-farm high-income household group is much smaller than what the income-tax data reveal.

Then, there is Table 1 given with different columns. I take only one year, that is, 1964-65 because time at my disposal is short. Non-farm Household income—Rs. 9,482 crores; Non-farm Household income appro-

priated by High income groups—Rs. 3,904 crores. Income Assessed to Income-tax—Rs. 1,229 crores; Tax assessed—Rs. 152 crores; Income Assessed to Tax as percentage of Non-farm Household Income—Rs. 13 crores; Income Assessed to Tax as percentage of Income of High Income Groups—Rs. 31.5 crores; Tax Assessed as Percentage of Income Assessed—Rs. 12.4 crores; etc. etc.

These are very revealing figures and should act as in eye-opener to people who really give their mind to this problem.

This morning, the *Indian Express* gives a very beautiful cartoon drawn by our respected friend from the Rajya Sabha, Mr. Abu It says:

“When does black money become White?—

When it is wrapped up in Khadi!”

I could not agree with it more. This is how really it is working.

Then, I go to avenues of black money. I have called this final Report to be a report written under duress, under pressure. So, we do not agree with most of the things this report says. The interim report was the genuine report

It says:

“It is also spent in purchasing illegally quotas and licences at premia, financing secret commissions, bribes, litigations, etc. giving ‘on-money’ in business transactions, buying industrial peace, financing election expenses and giving donations to political parties. Black money is also utilised in call deposits, bogus hundi loans, etc. etc.”

I will not go into all the details.

Then, there is another quotation which I would like to give from the *Economic and Political Weekly*. It is an article written by an eminent professor Dandekar. It says:

“When the big businesses jump the hurdles placed in their expansion path, they usually shed part of the black money they accumulate by evasion of taxes. The fall out is collected, and shared by the bureaucrats and the politi-

cians working in close cooperation. It seems that the ruling party or parties regard big business as a milking cow to be milked at will. It is not without significance that when recently the Congress Party decided to build an Indira Bhavan in Delhi worth a crores of rupees, the Congress Chief Ministers subscribed on the spot funds amounting to several lakhs of rupees; they could not have done this without knowing the vaults of black money . . .”

So, the Indira Bhavan should be named as “Black Bhavan”. Further, it says:

“This private understanding between the ruling party and the big business is the second or probably the first major obstacle on the road to socialism . . .”

Again, it says:

“The scramble for election tickets and later for office suggests that all offices from top to bottom, in the Union Cabinet, in State cabinets, in Zila Parishads and Panchayat Samities are offices of profit and bring in direct and indirect profits sufficient to compensate more than adequately the expenses of election . . . Furthermore, some of the sitting members of the ruling party who could not be accommodated in the cabinets are given suitable remunerative jobs on Committees, Commissions and public sector corporations; in fact, the latter are looked upon by the ruling party essentially as providing needed opportunity for this purpose . . .”

I am ashamed to read this. But this is what the fact is.

I quote further:

“Once the big business joins in the election efforts, it does not leave the ruling party during its tenure it asks for the quid pro quo and gets

[Shri Jyotirmoy Bosu]

it It explains the hold of the big business over the government in spite of its socialist professions and protestations. So long as this hold continues undiminished, there is no chance of making any genuine progress along the socialist path . . . It has been rightly said that at the bottom of the present liaison between the big business and the ruling party lies the regulatory and licensing procedures by means of which the government tries to control big business. This offers the meeting ground between the two and the result is that the big money wins and it ends up in big business controlling the government. Hence, to break this power of big business over the government, it is suggested that it would be advisable for the government to give up its efforts to control the big business . . .

MR. DEPUTY-SPEAKER. Almost whole of your speech is made up of this article.

SHRI JYOTIRMOY BOSU: Then, the Monopoly Inquiry Committee Report says:

"We are bound to mention here in this connection that the considerable assistance that some of the leading industrialists in the country had given to the ruling party from time to time has furnished ammunition for the attack. The big business is hand in gloves with the party in power. The fact that such assistance has been liberally given at the time of the last General Elections has been admitted by the Government in a statement in parliament. But people cannot be blamed if they believe that it is the hope of favours that induces such payment and after the election is over, businessmen try their best to see that the 'investment' by them bring satisfactory return."

Three days ago it was revealed in the Rajya Sabha that ten big business houses, in the course of the last five years, had accumulated extra wealth ranging between 25 and 75 per cent. Mafatlal had made 75 per cent in the course of five years. Now compare that with our industrial growth. When the industrial growth was next to nothing, how was these industrialists' wealth swelling, we want to ask them. It is perhaps because they have been allowed to siphon out their wealth that they generated from the industries into the corridors of blind alley, and that is why we could not see them.

Wanchoo Committee's final report is a dictated report I disagree with many of the things that they have said. The interim report which was written *suo moto* on their own, without pressure, in fact, has been the real report 'Regulation of donations to political parties', we do not agree.

SHRI K N TIWARY (Betiah): On a point of order. He is saying that the final report is dictated one. By this he is misleading the House. Has he any proof? Without any proof, how can he say that?

MR. DEPUTY-SPEAKER: This side of the House can contradict him. There is no point of order in this.

SHRI JYOTIRMOY BOSU: "Allowance of certain business expenses—Entertainment Expenses and Expenses on Maintenance of Guest Houses"—we do not agree. 'Reintroduction of Expenditure Tax'—we disagree. These are things with which we do not quite agree.

SHRI N. K. P. SALVE (Betul): Let him indicate the basis on which he feels that the final report was not written on the volition of the Commission and that only the interim report was written by them. Are there any inconsistencies?

MR. DEPUTY-SPEAKER: It is up to him.

SHRI JYOTIRMOY BOSU: I am making the speech and not Mr. Salve (*Interruptions*). I want to ask the Government why is it that they did not give remedies to plug the

loopholes for generation of black money. You will not find them anywhere in the final report because it was written under duress.

I have a Memorandum which has been given by Class II ITOs. They have made very valuable suggestions:

"It has been seen from experience that mere lowering the effective rate of taxation failed to generate an atmosphere in which the assessee would reveal their income truly and deliberately. If such would have been the case, Voluntary Disclosure Schemes could have been successful in bringing out the concealed income to tax net."

It also says:

"Though there is a proposal for capital levy at a very lower rate, the Committee while exhorting much on reduction of rate of taxation should have also put on record that the Corporate Sector, unlike the individuals, enjoys the immunity from incidence of Wealth Tax which is much higher on individuals than the proposed capital levy."

Such things have been said. I go to the next point.

"Thus it is envisaged that the Committee has recommended for (1) two types of functions and responsibilities but (2) prescribed three classes of officers, viz., Class II, Class I (Junior) and Class I (Senior). From this one may see how absurd and paradoxical the recommendations are. Firstly, when the job and responsibility of Class I (Junior) and Class II officers is one and the same, why should there be two classes of officers?"

It is needless to point out that the Committee has tried to draw an artificial class distinction—a legacy of the past and a colonial hangover."

This is all that I want to say in connection with the Class II ITOs are

the backbone of the revenue structure, and, therefore, this discrimination and injustice is very much unwarranted.

The final report makes a mention of a very important thing. (*Interruptions*).

"After detailed deliberations and careful consideration of the valuable suggestions offered by them, we are still fully convinced about the efficacy and feasibility of the measures recommended by us in the interim report."

But what is the interim report? The final report is absolutely silent on that. On 12th November, 1970 the Wanchoo Committee had submitted an interim report. It was the most eventful day in this matter. But what happened? Shrimati Indira Gandhi was the Finance Minister at that time; she not only did not implement the recommendations, but suppressed the whole thing. Even the Cabinet Ministers were kept in the dark because quite a few of them took copies from me; they did not know what was the interim report of the Wanchoo Committee. A team of officials consisting of two Secretaries of the Ministry of Finance and the Reserve Bank Governor was sent to the Wanchoo Committee to pressurize, to say, "Withdraw and destroy the interim report". The Committee did not surrender to their pressure, but they accepted one request that, in the final report, they would not make a mention of the contents of the interim report. That is why, today, you see in the final report that there is no mention about the contents of the interim report.

Mr. Y. B. Chavan, on 10th August, had said in this House:

"I will say why we have not published the interim report. An interim report by nature is such that it can be published before the main report is published. Now when the main report is published, the interim report as such has lost its value."

These utterances are as baseless as the Finance Minister himself. Otherwise, clearly and categorically—I have just now quoted—how can he

[Shri Jyotirmoy Bosu]

say this? The Finance Minister had the courage to mislead the House by saying that the interim report had lost its value once the final report which contains very little has been published.

AN HON. MEMBER: Which Finance Minister do you refer to?

SHRI JYOTIRMOY BOSU: Mrs. Indira Gandhi primarily. There is only one Minister to my mind... (Interruptions)

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI K. R. GANESH): He is mixing up the whole thing. He says he is intelligent.

SHRI JYOTIRMOY BOSU: Let both of us go for IQ test and see. (Interruptions) I had regards for Mr. Ganesh, and when some members talked about his arrogance, I tried to dispute it. But it is becoming too much at times. He is trying to carry coal to New Castle. Let him not prove that he is too big for his boots.

SHRI K. R. GANESH: My point is this. Let him talk about the Prime Minister. But when he says that the Prime Minister was the Finance Minister when this report was submitted, I am objecting to that.

MR. DEPUTY-SPEAKER: He was referring to two things, when the report was submitted and what the present Finance Minister said...

SHRI JYOTIRMOY BOSU: What Mr. Chavan said, I approve of, Sir. This is what the Final report says at page 12. I quote:

"After detailed deliberations and careful consideration of the valuable suggestions offered by them, we are still fully convinced about the efficacy and feasibility of the measures recommended by us in the interim report."

So, Sir, who will decide what is right and what is wrong? Who will decide what should be accepted and what should not be accepted? You talk about democracy. You were a garb of democracy. It reminds me of what our great leader Engel said

once. Here is the executive which is supreme. Democracy is nothing but a garb. Sir, this is August House and this morning I heard that our honourable Speaker was born in the month of August: Mr. S. M. Banerjee was also born in the month of August, everything is August, but when it comes to taking a decision, formulating a policy, they are left to the executives. This democracy is nothing but a garb, nothing but a misleading to the common man. I will quote this most precious document which they had given. I thank them for these recommendations made in their interim report. They said:

"We decided therefore to address ourselves "

Mark the date 12th November, 1970, don't lose sight of the date

" to the task of making an interim report on matters which called for urgent remedial action and could not wait until our final report"

They did not realise that two elections were coming and somebody wanted lot of money for them. Then they said:

"One subject which we felt needed immediate attention was that of 'black money' as it has been eating into the vitals of our economy"

Then the report says about parallel economy. Then it says:

"After careful consideration we have come to the conclusion that some radical steps will have to be taken immediately if the problem is to be tackled effectively. In this interim report, we therefore, recommend the following three measures:—

- (1) Demonetisation;
- (2) Coiling on cash holdings; and
- (3) Acquisition of immovable property in case of under-statement of purchase consideration."

Then the report says. I quote:

"We, therefore, suggest, that although the last two measures are meant to be of a permanent nature, they should be brought on the statute book without undue delay."

So, Sir, the primary recommendation on the 12th of November 1970 by this high-powered and eminent committee was, immediate demonetisation. Sir, Mrs. Gandhi survives on black-money, her politics lives on black-money. Therefore, the report was not only implemented but it was suppressed for an year and a half. In the interim report they said:

"We felt that it would be only appropriate if, subject to adequate safeguards, the Demonetisation measures is utilised also to collect at least part of the arrears of tax that may be due from those who tender the demonetised notes for exchange."

Then it is stated-

'That first question that needs consideration is the denominations of the currency notes which should be demonetised. It is understood that the break-up of the notes issued, as at the end of June, 1970, was as follows

SHRI C. M. STEPHEN (Muvattupuzha): I rise on a point of order. The House is considering the final report of the Direct Taxes Enquiry Committee laid on the Table of the House on the 20th of March, 1972. That document is now before us. My learned friend is dwelling at length on some other document, that is, the interim report. He is making lot of allegations also. All I ask for is, his speech on the introduction of the motion has got to be relevant to the document which we are to discuss. I am only pointing out this thing because no observation is made by hon. Member with respect to any of the observations in the final

report or its recommendations. He makes all sorts of allegations. We on this side were keeping quiet in spite of the wild allegations he made that the Prime Minister is existing on black money and all that in the hope that the Member would be called to order. I am only requesting that the Member must be directed to be relevant, discussing the matter which is in the final report, not in the interim report (*Interruptions*).

MR. DEPUTY-SPEAKER: Order please. Let me understand him first you have understood his point of order. I have not. Please sit down. Mr. Banerjee I have not replied. I am trying to seek clarification from him, I am not replying, order please. What is the point of order; what is it that you want? (*Interruptions*). Mr. Salve, it his point of order and not yours.

SHRI C. M. STEPHEN: The point of order is this, Sir, that the speech has got to be relevant in this sense that it must pertain to the specific document which is mentioned here

...

MR. DEPUTY-SPEAKER: No, if it is just a general question of relevancy, it is rather difficult to contain that; but if you have any specific thing where he is irrelevant, then only I can give my opinion on that.

SHRI C. M. STEPHEN: May I explain it, Sir? The point is this. My learned friend has now specifically quoted the interim report and he is proceeding to speak on the interim report.

MR. DEPUTY-SPEAKER: Now I understand it. Your point is that the interim report here is irrelevant; that is your point. That is your main contention.

SHRI C. M. STEPHEN: Yes.

MR. DEPUTY-SPEAKER: Now, the difficulty is that the final report itself has made mention of the interim report. That is the difficulty. (*Interruptions*). I have given my ruling.

SHRI JYOTIRMOY BOSU: Sir, how much time is wasted by this frivolous point of order, you may kindly see.

SHRI K. R. GANESH: Sir, I have one submission. In the notice that the hon. Member gave and also in the submission he made here, he referred to two Finance Ministers. He is trying to bring . . .

MR. DEPUTY-SPEAKER: You made that point before, I know . . .

SHRI K. R. GANESH: It is very important, Sir. He is referring to the Prime Minister having prevented the publication of this report and having sent some officers and all that. The Prime Minister was not the Finance Minister when the interim report was submitted. This is all that I want to say.

SHRI JYOTIRMOY BOSU: That, in fact, amounts to adding fuel to the fire. Is there any Member in this honourable House who would dispute the fact that in Government of India since the middle of 1969 there is more than one Minister? In the ruling party is there more than one leader? And, decision had to be taken by. (*Interruptions*).

MR. DEPUTY-SPEAKER: Order please. The main point is this. The hon. Minister's contention is that the Prime Minister was not the Finance Minister at the time when this interim report was alleged to have been sent to the Government.

SHRI JYOTIRMOY BOSU: I maintain this, Sir. Let it go on record—I maintain that honourable Shrimati Indira Gandhi the Prime Minister and once upon time, the Finance Minister was wholly responsible for suppressing this report. I am putting it on record. Mr. Ganesh, while giving his reply, may reply to my point. I am pointing out what this important learned body has said:

"We are fully aware of the not too successful results of demonetisation in 1949; yet we are confident that this measure, if introduced now

would achieve substantial results because of altered circumstances."

It says:

"It incorporates a number of safeguards such as imposition of ceiling on cash-holdings, stamping and signing of books of accounts and prompt examination of declarations by the Income-tax Department."

It says further:

"The first question that needs our consideration is the demonetisation of the currency notes which should be demonetised. It is understood that the break-up of the figures . . ."

The bulk of the currency is in Rs. 100-notes and Rs. 10-notes.

MR. DEPUTY-SPEAKER: My difficulty is that most of the hon. Member's speech is made up of quotations which are lengthy.

SHRI JYOTIRMOY BOSU: I always like to use their own stick to hit them with. That is my way of doing things.

I would not take much time now, because I have more or less delivered what was in my pocket. Now, I come to Shri Yeshwantrao Chavan. We saw the Delhi press coming out with a lead article 'Government decided on imposition of ceiling on possession of cash to the tune of Rs. 5,000'. That was the indication that Government gave. When the pressure was too severe, public opinion started forming. The country has known what the Government have done with this vital recommendation, and how they have played fool with the Parliament and the people. They immediately came with a shock-absorber. The entire Press Information Bureau was mobilised to give a story which would act as a buffer. So, this came out. But Shri Yeshwantrao Chavan could not even bear that. Soon, he somersaulted and said that too could not be done.

I now say in view of what I have stated already today and on previous occasions that the country demands that the interim report of the Wanchoo Committee must be implemented *in toto*; there should be ceiling on cash, possession of cash, jewellery and other precious items. There should be screening of lockers and vaults and for each bank account, where there is more than a certain amount of money, it must be tagged with the income-tax number that has been given. The entire operation should be simultaneously conducted on one single day. I can assure the Government that if they really wish to take the bull by the horn, there is no way out to take drastic measures and save this country from a complete peril, instead of looking after their political, coterie and party interests to remain entrenched in power.

MR. DEPUTY-SPEAKER: Motion moved:

"That this House do consider the Final Report of the Direct Taxes Enquiry Committee, laid on the Table of the House on the 20th March, 1972."

DR. V. K. R. VARADARAJA RAO (Bellary): I do not know if I really could go into all the political polemics which my hon friend Shri Jyotirmoy Bosu has indulged in.

SHRI JYOTIRMOY BOSU: It is because of his Prime Minister.

DR. V. K. R. VARADARAJA RAO: I am really surprised that Shri Jyotirmoy Bosu should speak of the Prime Minister all the time; the Prime Minister seems to be so much fixed on his mind that every time anything is mentioned, he feels he must come back to the Prime Minister.

SHRI JYOTIRMOY BOSU: Who else is there?

DR. KAILAS (Bombay South): He is allergic to her.

DR. V. K. R. VARADARAJA RAO: I am prepared to suggest to the Prime Minister that the Prime

Minister may give him an interview so that he could tell her all that he has to tell her about her and then stop talking about her in this House.

SHRI JYOTIRMOY BOSU: But I have not sought an interview; I may not have the desire to have an interview with her.

DR. V. K. R. VARADARAJA RAO: I only want to say that what I was really expecting, since Shri Jyotirmoy Bosu, of course, is a very distinguished member of the Communist Party-Marxist, and leader of one of the Opposition groups, I believe, was this. I thought that he was also a student of economics and has had practical experience of economic affairs. I was expecting, therefore, when he initiated the discussion on this motion, while, of course, he would spend a little time on his political angle, which was natural, he would spend at least some time on the more important economic aspects of the Wanchoo Committee's report. I am really sorry that he has not chosen to do so.

The main point that he has made is about demonetisation. He has left out everything else and he has picked out only this recommendation from what he calls the interim report. There is no doubt that the Wanchoo Committee has in its final report reiterated its adherence to its previous interim report. Shri Jyotirmoy Bosu has from some source known to himself got a copy of the alleged interim report and I think he has placed it on the Table of the House and he has been quoting from that *in extenso* and has made a plea for immediate demonetisation.

I would like to suggest to this House that demonetisation is not a remedy which one can take up in a lighthearted fashion. Further, that is not the kind of remedy which is taken up on the recommendation of a committee consisting of officials, non-officials and so on. Demonetisation is a kind of decision, if and when it comes, which will be taken by Government only on the basis of the thinking and advice confined within the precincts of Government.

[Dr. V.K.R. Varadaraja Rao]

which are subject to all the various secrecy and other clauses which govern the functions of such Government officials and Ministers. If, for example, there was some kind of hyper-inflation that the country had where we would have to change the currency, by all means, one could have demonetisation.

We had demonetisation some time back. But that related to Rs. 1000-notes. I believe we are all aware of what happened at that time. I at least happened to be a resident of Delhi city at that time. Even the demonetisation of Rs. 1000-notes created a considerable amount of confusion in the market. Rs. 1000-notes are usually held by a very small number of people, may be, the kind of people that Shri Jyotirmoy Bosu is showing such a verbal aversion for. But the kind of demonetisation which he has asked for, quoting from the alleged report, is not only for Rs. 100-notes but for Rs. 10-notes.

SHRI JYOTIRMOY BOSU: They have given the statistics also.

DR. V. K. R. VARADARAJA RAO: It is not a question of statistics. I would like to submit that we should remember that we all represent the country. After all, we are a responsible House. We represent large numbers of people from all parts of the country. Demonetisation of Rs. 100-notes is bad enough. But according to what he has stated, and according to the document that has been placed on the Table of the House, demonetisation of Rs. 100-notes will not do. It is a package deal. It has got to be Rs. 100-notes plus Rs. 10-notes.

If Rs. 10-notes are to be demonetised, I do not think that it is necessary for me to elaborate in any length on the numbers of people who will be affected all over the country. It will not affect just the black-marketeers, capitalists and political contribution-wallahs, to whichever party they may make contributions, but it will affect large numbers of peasants, of industrial workers, of

primary school teachers, of ordinary labourers and so on . . .

SHRI JYOTIRMOY BOSU: They will be hoarding black money?

DR. V. K. R. VARADARAJA RAO: I hope Shri Jyotirmoy Bosu would not like to be quoted outside this House as suggesting that everybody who holds a Rs. 10 note is a hoarder of black money . . .

SHRI JYOTIRMOY BOSU: But how much? A primary school teacher cannot think of it.

DR. V. K. R. VARADARAJA RAO: I think that my hon. friend, if he wants, can be reasonable. I would request him not to interrupt, and I am sure he will respect my request.

SHRI JYOTIRMOY BOSU: I would.

DR. V. K. R. VARADARAJA RAO: I am not at the moment going into the economics of demonetisation as such. But the question is one of demonetisation of Rs. 10-notes. Somebody was asking by way of interjection why the interim report was not published. First of all, I was rather shocked that an interim report of that kind should have been submitted by them. I do not know what the terms of reference were which made possible such a recommendation to be made. But in any case a recommendation of this type is usually made very secretly and once the recommendation is made, if it is accepted and it is immediately executed, there is no long time-interval between the two.

Demonetisation is something like devaluation. You do not have official committees recommending devaluation and afterwards Government considering it and then coming forward with devaluation. If I may say so, the interim report must not have been released, because there was no intention of accepting that particular recommendation. But to come back to my main point regarding demonetisation of Rs. 10-notes, I suggest that if that is done, confusion will

be caused in the economy, and all the villages will be affected. Out of the 500,000 villages, there would at least be 300,000 to 350,000 villages, where some people will have Rs. 10-notes. I do not want to elaborate on the nature of the people who will be having such Rs. 10-notes, such as petty shopkeepers and others. Of course, you may say that immediately they will get substitute notes and they can go to a bank. But how many banks are there in the villages, with all this nationalisation and everything else? I think there are only about 10,000 branches including the ones that have recently been opened. The people who were holding Rs. 1000-notes at least knew something about currency, but take the case of the common man who may hold Rs. 10-notes; if that gets demonetised, consider the amount of confusion and loss of confidence in the currency and the kind of breakdown in the economy that would take place at a time such as we are facing in the country's economy today, which would be most undesirable, from the point of view of the safeguarding of the economy.

So I would strongly resist the recommendation that there should be demonetisation of one hundred and ten rupee notes and any demonetisation of anything less than that will not serve the purpose for which demonetisation was intended by the person who has recommended it.

Then I would also like to point out one thing. One seems to be under the impression that black money just stays somewhere staying constant, Rs. 5,000 crores, Rs. 6,000 crores, Rs. 7,000 crores of black money. Black money transactions could have been in terms of these thousands of crores of rupees. But a great deal of this black money has now become either solidified into building, land, jewellery, gold etc. etc. or transformed into white money in many cases. Therefore, it seems to me that just by saying that this demonetisation is just to get hold of some quantity of unauthorised money for the purpose of preventing black money and preventing all the

series of effects that black money is having on the economy is like using a kind of axe to try and kill a fly on one's nose.

SHRI JYOTIRMOY BOSU: Rs. 7,500 crores.

DR. V. K. R. VARADARAJA RAO: Shri Bosu has allowed himself to interrupt me and say Rs. 7,000 crores. I am prepared to take a bet—silly on my part; but I am prepared to be silly—that Rs. 7,000 crores will not be the unclaimed money. How do you account for the black money? Black money will be when the notes are not claimed. They are not claimed because of the consequences that will follow. Now where do you have Rs. 7,000 crores? The total volume of currency in circulation is not 7,000 crores.

SHRI JYOTIRMOY BOSU: I said black wealth.

DR. V. K. R. VARADARAJA RAO: He was talking of black money and demonetisation. Now he talks of black wealth, which is something quite different. We are talking of demonetisation and black currency.

Therefore, I would most respectfully suggest that demonetisation on the scale—and the only possible scale on which it can have any effect—which he has suggested would be very deleterious to the interests of the economy, will not serve the purpose for which it is intended and will, on the contrary, cause a great deal of upset to the entire working of the economic structure, and this too at a time when we cannot afford to have such interruptions to the smooth recovery of the economy.

At the same time, I do not want to ignore the phenomenon. There is the fact of black money operating. We know a number of things are bought in terms of accountable money accompanied by what is called unaccountable money. I would like to descend from polemics and get down to some constructive suggestions—what I hope to be constructive suggestions—for the consideration of Government in relation to

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the Wanchoo Committee Report. I would make a series of suggestions. First, I want to deal with that the suggestion made by Shri Bosu, based on what he calls the interim report, for a ceiling on cash holdings. Quite honestly, I do not understand how it is possible to enforce a ceiling on cash holdings. To have a ceiling on cash holdings means that every person becomes suspect. It is not a question of raiding A, B, C or D. I do not think a ceiling on cash holdings is a remedy for blackmarketing or for preventing the use of currency for purposes other than legitimate. What I would like to suggest is that what we want is to stop payments in cash over a certain minimum amount. Because the root of the black money comes when you pay in cash for something for which you need not pay in cash. You have to pay in cash for things worth Rs. 10, Rs. 20, Rs. 40, Rs. 50, Rs. 90, Rs. 100. But when you have to buy a car for Rs. 25,000, you do not have to pay in cash; when you have to buy a refrigerator for Rs. 2,500, you do not have to pay in cash. And if I may say so, if you buy an airlines ticket, it will not be necessary for you to pay for that in cash.

SHRI PILOO MODY (Godhra): Find out from Indian Airlines.

DR. V. K. R. VARADARAJA RAO: I do not know what Shri Pilo Mody does with his airline ticket; I am not referring to him; I can assure him I was certainly not referring to MPs.

SHRI PILOO MODY: They want nothing but cash.

DR. V. K. R. VARADARAJA RAO: I am coming to that.

When you go into the root of it, it is not a question a ceiling on cash holding. The root of it comes when you pay in cash for what need not have been paid in cash. And almost by definition you should pay in cash for only small amounts.

MR. DEPUTY-SPEAKER: What if the cheques bounce?

DR. V. K. R. VARADARAJA RAO: I know the danger of cheques bouncing. I just wanted to establish this principle that the most effective way of countering black money in this country is by seeing if we can devise some practical methods of seeing that payments in cash, where payments can be made by cheques, are stopped. I would go further and say that payments in cash should only be made for small transactions where the amount is in terms of three figures and certainly not in terms of four figures.

Now comes the question; how do we enforce it? As for the question which you, Mr. Deputy-Speaker put, I have been racking my brain to find an answer. I do not think I have got the correct answer, but from the limited wisdom I have or may not have, I would like to make this suggestion. I would say that, first of all, in many cases cheques are accepted where the person is known. A person who is walking in the street, who is not known to anybody, cannot go and buy a car without cash. But if I give a cheque, it will be accepted. Of course, I agree that in our country people are more reluctant to accept a cheque than in a country like England. May be cheques bounce more in this country or may be we are more distrustful of each other than is the case in other countries—whatever be the reason. But I would certainly say that wherever cheque payments can be made, they should be made in cheques and not in cash payments.

16 hrs.

Then the question comes: what happens if the man is not known, where the identity of the man is not certain, where if you take a cheque there is a possibility of its bouncing? Here I want to make a suggestion which I hope the Finance Minister will examine—he may throw it out as nonsensical, but I hope he will find some practical sense in it. Is it not possible for us to have something in between an unlimited, unrestricted on-sight legal tender which requires no signature, no endorsement, which just by passing from one hand to another com-

pletes the legality of payment, and cheque payment, an intermediate between a cheque and an unlimited legal tender? Can we not have something like a sight cheque?

SHRI N. K. P. SALVE (Betul): Traveller's cheque.

DR. V. K. R. VARADARAJA RAO: Or traveller's cheque, where it is possible for anybody who wants to buy a costly thing by paying in an intermediate currency which is neither a cheque nor on-sight legal tender. I suggest this is the thing which will break the black market in this country which is not going to be broken by penalties and so on, because the people who indulge in black money transactions are not afraid of penalties.

SHRI N. K. P. SALVE: Not negotiable

DR. V. K. R. VARADARAJA RAO: We have got to devise a technical contrivance which will prevent them from operating black transactions

I would suggest this for the consideration of members, as a student of economics and I say that it is possible to devise a kind of currency which is not a currency in the full sense of the term, which at the same time does not carry all the limitations which a cheque carries with it. This will be like traveller's cheques for Rs. 5,000, Rs. 10,000, Rs. 20,000 whatever it is. The only condition would be that I have got to give my name, address and occupation before I get this money.

SHRI N. K. P. SALVE: Will it be negotiable?

DR. V. K. R. VARADARAJA RAO: Traveller's cheque, sight cheque or intermediate currency, whatever may be the name, if it comes to be accepted, when it is paid, there must also be a signature of the person who pays it, so that somebody will know that this has been paid, somebody will know who has bought it for the purposes of payment.

It seems to me if we can control this cash business, these cash transactions—black money really means cash transactions; if there is no cash, there will be no black money transaction—we can tackle this evil. The root of the evil is the prevalence of cash transactions on a large scale. I just throw out this suggestion. I am not an expert in all these matters.

SHRI JYOTIRMOY BOSU: You are.

DR. V. K. R. VARADARAJA RAO: I thank you. But not an expert in black marketing! Sir, I would suggest, therefore, that this is one way and we can work out the details and work out all the various implications and so on. But I would seriously and most earnestly suggest that the best way of attacking black money is to find some method by which you can minimise cash payments. Why do we pay the airlines by cash? Why do we pay for so many goods by cash? I go to the length of saying, why should we pay, if we go to stay in the Ashoka Hotel, in cash, and spend Rs. 2,000 or Rs. 3,000 or Rs. 5,000? Why should I pay it in cash? Why can't I have this kind of intermediate document between cash and the other thing? Any difficulties that this may present can be worked out and we can come to solutions which will be of enormous benefit to the country.

The second suggestion which, I believe, has been accepted by the Government, is the right to purchase. We know a great deal of black money has gone into property,—registered price, cash price, under the counter and so on. We say the Government will take over the property and has a right to buy the property. I would only suggest for the consideration of the House that this right given to Government to buy the property at the registered price will not solve the problem of the conversion of black money into property. I do not think this is going to be exercised very readily, and if and when it is exercised there will be so many

[Dr. V.K.R. Varadaraja Rao] things which will come in the way. It is not going to be an effective deterrent at all. What I would like, therefore, to suggest is that all sales of property should be a matter of public information. There should be a regular gazette from every State or every big area, so that all sales of property—house number so and so, so and so, belonging to so and so and sold to so and so and at such a price at which it was registered—could be known and this information should be made public. Because, the public will be much more anxious to catch the fellow I saw it with due respect to my friends on the Treasury Benches I do not blame them for it, because they are also victims of the machine. So, the public will be much more interested in finding out these people than the official machinery that is entrusted with this particular task. It can be published. If you do not want to publish it, it should be possible to be referred to in other ways. For example, we have got the joint stock companies, in respect of which if you pay one rupee to a public office, you can get all the details and see the documents. So, any member of the public can go there and see. Research people can go there; research analysts can go there and see, and have a look at the property deed; make a study of them and indicate which are the kinds of property where there is obviously some kind of hocus pocus. It seems to me that unless some such thing is done, it will be difficult. You can indeed specify the persons among the general public; say, accountants, or lawyers. Unless the public is allowed to raise this question, merely to say that the Government has the right to repurchase it at the declared value is not, I think going to solve the problem at all. I would suggest that instead of having this kind of futile provision, it is far better to have a provision like this, which will also involve the general public in seeing that black market does not flourish at all.

The third suggestion is about strengthening of the income-tax ad-

ministration. I believe the Wanchoo Committee have made this recommendation and I would like to underscore it. Have industrial specialists and trade specialists. At the moment, as a matter of fact, the cost of production is so shown that things are put in as expenses which, are not expenses. We only talk of entertainment allowances, and guest-house and so on, there are expenses on transport, expenses by way of T.A. purchase of commodities, purchase of raw materials, payment of commission, etc. There are so many ways and means by which the businessman knows how to conceal illegitimate expenditure under a legitimate gain and get it accepted by the income-tax authorities as part of admissible cost of production, and thereby get the money for illegitimate purposes. It seems to me that this is not a matter that can only be dealt with by the income-tax officer with all the training that he may get. And that is why, I believe, the Wanchoo Committee have made the recommendation, and I would like to support and get it strengthened. There should be industrial and trade specialists who would be specialists in analysing. May be, we should get a chartered accountant who is a specialist in industry; a chartered accountant who knows about the textile business; a chartered accountant who knows about drugs and pharmaceuticals business; a chartered accountant who knows about the sugar business. Like that, I think we have to get experts who will then be able to determine the norms of expenditure. So, broadly, one can say, if the statistics are on the table, what is wrong with the things, because, normally if we have been doing the subject for a long time, you have a sense of proportion, a sense of magnitude, and if something does not fit in immediately, you raise your eye-brows and start working on it, and you may find yourself wrong or right at the end. Similarly, some kinds of norms have got to be there for all the different types of expenditure; in building up these norms, the application of these norms, the creation of spe-

cialists machinery of this kind will go a long way to deal with the problem of generation of black money.

It may cost, I think, Rs. 25 lakhs or Rs. 30 lakhs or Rs. 50 lakhs. But certainly it is not going to cost more than a crore of rupees. But I do suggest this is another way of stopping the generation of black money.

Now I shall go a little faster. I thought I should not brush it aside, fortunately, thanks to Mr. Jyotirmoy Bosu's political convictions! (*Interruptions*). He did not say anything about reducing the taxation for the purpose of preventing black money. I would suggest that reducing the rate of taxation is not going to have any effect at all on tax evasion, and therefore, on the creation of black money. (*Interruptions*). I hear a whisper from my very distinguished hon. Member behind me saying it is not so. I do not know. As far as I know, if somebody were to say that the imposition of 95 per cent marginal rate of taxation will prevent a man from earning a particular slab above the margin, because he will only get five per cent thereof, I can understand. As a matter of fact,—I was thinking in my mind, but I have not worked it out—how many incomes are really made by slabs, and how much time and how much effort do they exercise whether 'I can make my next Rs. 5,000 or not make the next Rs. 5,000'? As far as I can see, this can be done by doctors and lawyers only. I think it is very difficult for business people to do it. In their case, the slabs may not go into the kind of slabs that the income-tax authorities make. Therefore, honestly, I do not see any economic justification for suggesting that if you reduce the rate of taxation, this can be achieved. If you say that you should reduce it from 95 to 20 or 10, there can be some meaning in it, but by reducing it from 95 to 75 it is not going to make all the dishonest fellows to become honest now. I think it is not a legitimate expectation at all. It has no foundation at all in economic analysis, and I suggest that that particular recommendation of the Wanchoo Committee should

definitely not be accepted by the Government, apart from the so-called recommendations about demonetisation.

The next important point is about controls. It is not only tax evasion. If you were to ask me, the most important reason for black money is control, or licence. I am afraid I have not made a study of licences, but I am told that today you have got to take a licence for almost anything. Only, I do not think we should take a licence for making speeches in this House except, of course, with the favour of the Chief Whip of the party concerned and the favour of the Deputy-Speaker or the Chairman who happens to be in the Chair. (*Interruptions*). But the licences, I refer to, are of a different character. I find that if one wants to have spindles in the textile industry, if one wants to extend the textile industry, one should have a licence; if you want to have 50 more spindles, or a little raw material, anything, there has to be a licence.

SHRI JYOTIRMOY BOSU: Stainless steel.

DR. V. K. R. VARADARAJA RAO: Well, he is very familiar with all those various fields in which these licences are given. Why and how, I do not know. But these licences become bad when it is a question of shortage of economy, and the Wanchoo Committee have suggested a committee to be appointed to go into this question of licences. I want very strongly to endorse this view. We have been going on with licences for the last 15 years. We have not so far really found out a rationale, nor have we examined what has led to these licences, how far it has resulted in the plan priorities being accepted and how far it has led to the production and distribution that we wanted and what are the consequences of licensing. There is no doubt that licensing has led to deterioration in character and the growth of black money. Everybody knows that. But all the other things, we do not know. I suggest very strongly that the Government should

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take a decision. They need not take a lot of time. After all, they have accepted certain recommendations like the account number and so on. They do not have to say that we can only take a decision on the report as a whole. They have already taken a decision on certain recommendations of the Committee. I would say that this particular recommendation is most important from the point of view of dealing with the phenomenon of black money. In the meanwhile I suggest to the Ministry of Finance and other concerned Ministries: Let them take a sample of the licences and investigate them, if a licence is given to A, how he has used it. Do we follow up that licence? We give so much cement, what has he done with it. We give him so much pig iron or steel, has he used that? Have we asked the men who get licences what they have done with that licence? Such a sample investigation is of great importance, it should be taken up at once and a thoroughly competent expert objective investigation of the whole system of licences should be made.

Further, I should like to know whether traders in durable commodities are licensed Jewellers or dealers in gold ornaments dealers in houses, cars etc. What are we doing with them? Have you got any control over them? Do they make any returns? These are some of the ways by which black money gets converted into white wealth. (Interruptions) If you licence them, you can get some return and control. This may not be liked by everybody.

We should get returns from our big tourist hotels. I am all for tourism. But it will be interesting to find out how much of the money is being spent in these big tourist hotels by foreigners who bring foreign exchange and how much is spent by Indian businessmen, their friends and others. I think out of the most important avenues for the expenditure of black money is the big hotels, expensive cabarets and the big restaurants in the country.

SHRI JYOTIRMOY BOSU: They will not give you a ticket next time.

DR. V. K. R. VARADARAJA RAO: I think it would be desirable to have some kind of control of know who are the people who give the parties there and what are the returns. Anybody spends more than 100 or 200, let there be a return of such people in these hotels.

Now, regarding tax arrears, another important part of the problem. I am all admiration for the work the Wanchoo Committee have done. I hope the Government will not wait for long to accept the recommendation for the creation of a special body to deal with the question of arrears. Tax arrears are bad for the morale of the Government, morale of the honest tax payers and also bad for the income-tax payer, even for those who have not paid their taxes. Special machinery should be created; without any further speech I should like to support that suggestion in toto and I want Government action in regard to that immediately.

I have to say something about clubbing. There was a lot of discussion and some minutes of dissent also on this question whether a husband, wife and minor children should all be clubbed together. I do not have the time to elaborate my argument; you have been patient with me, I am not in favour of clubbing the income of the husband, wife and minor children without any qualification. The income of minor children should certainly be clubbed with that of the income-tax payer. I do not see the point of minor children having an income. What are the minor children to do with that income? The income is safeguarded, the corpus is safeguarded.

What is the purpose of gifting property to minor children? You gift to my minor children and I gift to your minor children. Minor children have no right to have non-taxable income from that property; the income from that property should be taxed. You may not tax the wealth; I am not suggesting wealth tax. But

all income from the property of minor children should be clubbed with the income of the head of the family and taxed.

When it comes to wife, I suggest that we have to make a distinction between an earning wife and a wife who is not earning. It is not only because of sentiment. In the latest employment review which was circulated to Parliament two days ago you will find the problem of educated women unemployed is becoming sharper, acuter than even the problem of educated men's unemployment. Honestly, I am terrified what will happen if a large number of women educated unemployed started marches and processions and other things because it is much more difficult to handle them than the educated men unemployed. Some distinction should be drawn between women workers who are wives and women wives who are not workers. These are matters of detail.

About trusts, who do we not have a directory of trusts? I have seen many times a huge publication of 10,000 joint stock companies in India; it is published once in two years, I have seen lists of large industrial establishments, 5,000 names, two volumes. What is there to prevent us from having a directory of all the trusts in this country? There are charitable religious medical and educational and other trusts. Let us know their names, the members of their governing bodies, and so on. Every one of them should get its accounts audited. There is no doubt that trusts constitute another way through which black money grows and tax evasion takes place. It is simple and it should not take much time for Government to accept it.

There is one more suggestion and I do not know whether it is good for me as a member of a political party to make that suggestion but if one feels impelled to make the suggestion, I feel one should do so. All political parties should be registered. No political party should function in secret. We should know who the members of a political party are; we

should know who their office bearers are, what their funds are, etc. All political parties should be in the nature of trusts because they are trustees for the people and they go before the country in the name of their parties and get elected and sometimes run the Government and sometimes run the opposition; it makes no difference to me. I think it is very important to see that for the working of democracy as well as prevent any temptation that may be there—people with black money may tempt political parties, that includes all political parties—I think it is very important that all political parties should be registered and we should know, there should be open lists and registers showing who the members are, who the office bearers are and what are their procedure for election what is their constitution etc., as we do under the Societies Registration Act of 1860 and their accounts should be audited and there should be annual reports. If some such thing is done it will go a long way to bring back health to our economy and polity and also check many other things that are happening in this country.

I am finishing with one last suggestion I should like to add my voice to the need for treating the income-tax department officers a little better than we were treating them hitherto. I do not know what their status is, I do not know whether they have the same status as members of the Indian Administrative Service, I do not know whether they have the same promotional prospects as members of the now becoming extinct ICS or the upcoming IAS. If I can think of any job which is the most important, it is this job. It is not merely law and order which is most important in our country. Many law and order problems are connected with the solution or non-solution of economic problems like mobilisation of resources and so on. The Government should make a de novo examination of the entire cadre of income-tax officers, their promotions and their prospects and other things and see to it that they are

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given a sufficiently strong position and sufficient incentives so that they can function honestly and courageously in the best interests of the country.

14.23 hrs.

[SHRI K. N. TIWARY in the Chair]

SHRI K. BALADHANDAYUTHAM (Coimbatore): Let us remind ourselves that when we are discussing this question we are living in an acquisitive society where real values are at a discount and nothing succeeds like success. We are all agreed that in this acquisitive society we are confronted by a problem of agonising dimensions and we also agree on the disastrous consequences. The need to combat this menace is also a point on which we all agree. We called upon the Wanchoo Committee to go into this question. But it is not as if Mr. Wanchoo and his committee were going into this question for the first time. There have been many committees which have gone into this question in the past.

For example, there was the Ayyar Committee in the year 1936, the Varadachariar Investigation Commission in the year 1948, the John Mathai Commission in 1954, Professor Kalder who was invited to come and go into this question in the year 1956, the Mahavir Tyagi Committee in 1958 and the Departmental Enquiry Committee in the year 1968. So, it is very clear that they are seized of this problem for a long time and committees after committees have gone into this question and submitted their reports. In spite of all this, the verdict now is that the proportions have increased, they have become even more menacing and we have reached a stage when we cannot do anything because they are eating into the vitals of our economy. We now call it a parallel economy.

While going into the question of the parallel economy, I am afraid the Wanchoo Committee has been very disappointing and has shown its affection for wealth and privilege.

The Wanchoo Committee has elaborated the crimes at length but it is afraid to name the criminals. Unless they name the criminals, unless they identify the criminals, all their remedies, all their palliatives, all their arsenal to deal with this question is not going to be of any use whatsoever.

Why do I say that the Committee has been disappointing and it has shown affection for wealth and privilege? The recommendations of the Wanchoo Committee can be broadly classified into two categories. One set of suggestions deals only with administrative measures. They have not gone into the root of the problem. Secondly, they have accepted the evidence of the very criminals, of the very perpetrators of the crime, and then made their recommendations.

The monopoly houses have been demanding two things. They have been pleading and leading evidence to the effect that unless the rate of income-tax is reduced "you cannot deal with black money, we will defeat you" That has been their challenge. The Wanchoo Committee at the very outset has conceded this demand. They want it to be reduced from 97.75 per cent for the highest income bracket to 75 per cent. I totally agree with Dr. V. K. R. V. Rao here and his view, coming as it does from an economist, has got greater weight than that of mine. This proposal of the Wanchoo Committee for reduction in the rate of taxation shows how far they have degraded themselves on this question.

Secondly, they have suggested the doing away with controls. This has also been one of the persistent demands of the big industrial houses. Controls have failed is another matter. Why do the big industrial houses want de-control? It is not as if controls are responsible for the accumulation of black money. Even if we remove controls, they will accumulate black money. Was it because of the high incidence of taxation that they created artificial scarcity? It is

because of the high incidence of taxation that they violate the foreign exchange regulations? Is it because of the high rate of taxation that they are indulging in speculation? No, high rate of taxation or controls has nothing to do with this. Yet, the Committee thought it fit to agree to the pleas of the industrial houses, the big sharks of the monopoly houses, and make these recommendations for implementation by the Government.

Even in the matter of administration I find that this Committee has got its partiality for the privileged. The Committee concede the right of the wealthy, of the powerful, of the moneyed people to tempt others.

MR CHAIRMAN He should try to conclude soon.

SHRI K BALADHANDAYU-THAM I cannot cover such a vast subject so soon. If you so desire, I will resume my seat now itself. Here I may point out that the previous speaker was given more than 45 minutes.

MR CHAIRMAN My difficulty is that the time allotted for your party is only seven minutes. I know it is an important subject. I do not want to be very strict. But he should also be considerate to the Chair.

SHRI K BALADHANDAYU-THAM I am in your hands. I will take the time allotted by you. But I expect you to show some consideration for the subject, if not the speaker.

With regard to the administration also we can see the bias of the Committee. They concede the right of the money bags to tempt people. They also concede the right of people to be tempted. The income-tax officers, who are Gazetted Officers, have got the privilege and right to be tempted. So, in order that they are not tempted, the Committee recommend that they must be paid higher emoluments. After all, the Pay Commission is there which is going into the service conditions of

all Government officials. Still, this Committee is recommending higher emoluments to income-tax officers.

One of the dangers facing the economy today is on account of the bureaucracy. Today there are two classes of income-tax officers, Class I and Class II. Though both of them are doing the same work for doing equal work they are paid differently. There is difference in the method of promotion also. Those who are in Class I, that is to say, those who come by direct recruitment, they are automatically promoted after five years. But those who come from the ranks, even though they are much more experienced, they are not given the same rate of promotion. So, the bias of the Committee is for the rich, for the Gazetted Officers, the higher officers in the administrative machinery.

The root causes for the existence of black money are three. There are three devils operating in the Indian economy. One is the monopoly houses, which were born in black money. It was during the last world war that these big industrial houses came into being. How did they come into being? It was through the accumulation of black money. Even as children they lived with it and they have grown up with that. They were born in the cradle of black money.

They were helped and abetted by another devil, namely, bureaucracy. The third devil is the party in power; the bourgeoisie political party in power is capable of being financed by black money. It is not merely the fact that there are big industrial houses which are in the highest income brackets which are evading taxes and which are able to corrupt the bureaucracy that has created this situation. It is the policies propounded and followed by the government in the last 25 years which has created the conditions for the development of this parallel economy.

So, these three devils are there and they have to be dealt with. While dealing with it, you have to take the interim report which is

[Shri K. Baladhandyutham]

very much relevant here. The relevance is that they made a recommendation of demonetisation. They have not referred to it in the final Report. In the final Report, they have not made any reference to it except to say that it will be efficacious if it is implemented. There is a difference between the interim report and the final report. If demonetisation is efficacious, the final report must have dealt with that because the Government has not implemented it. I do not agree with Dr. V. K. R. V. Rao that the Committee cannot recommend demonetisation. The Committee can recommend socio-economic changes the structural changes in the economy. If I were put in the Committee, I would recommend even more. The terms of references itself is on black money. When dealing with this question of black money, they have to recommend all those measures like demonetisation. It cannot be merely done by suggesting administrative measures. It has to be more than that.

They made a proposal of demonetisation. With regard to demonetisation, I do not agree that 10-rupee notes should be demonetised. It should be 100-rupee notes and above. Demonetisation is inevitable. If the Government does not do it today, it will have to do it tomorrow. Without mopping the black money in currency, transactions cannot stop in spite of the cheques system being proposed. You must have cheques for higher transactions. They can also be like travellers' cheques. I agree with the proposal and I also say that the proposal must be made to see these things are implemented, that payments are made only in this way. It is necessary for mopping up the existing currency in black money. Demonetisation is inevitable. The Government need not go about saying it that they are going to demonetise it. Demonetisation must be done with all the preparations overnight suddenly. Unless they do that, they cannot mop up black money.

With regard to other things, I expected the Wanchoo Committee to make a recommendation that there must be a ceiling on profit. We talk of having a ceiling on land and ur-

ban property. Why not there be a ceiling on profits also. It is a question of income. Why not fix a ceiling that nobody would earn more than 2 per cent or 4 per cent or the maximum of 5 per cent profit. Unless there is a ceiling on profit, the black money will continue to be there.

I also agree with Dr. V.K.R.V. Rao in suggesting that there should be simultaneous check-up of the safety vaults in all the banks. Combined with demonetisation, there should be simultaneous check-up of all the safety vaults of the banks, at one stroke, all over the country.

Apart from that, they must also acquire properties which have been under-assessed and under-estimated in value. Any immovable property which is under-estimated should be acquired by the Government. Unless you do that, you will not solve the problem. Mere transactions alone will not solve the problem. You will have to acquire the properties which are under-assessed and under-estimated. I say this because we need money. Our Finance Minister has said that Rs 6,000—7,000 crores of additional revenue are needed in the next period. Even as a revenue, you have to acquire properties which are under-assessed.

Not only that Money is being sent out. You must nationalise the foreign banks. Otherwise, you cannot stop the leakage. You will have to nationalise monopoly houses. I expected the Wanchoo Committee to make that recommendation. Unless you take over the monopoly houses, you cannot deal with this problem. By leaving them, you are allowing them to make money. Unless you take them over, the results will not be achieved.

Then, foreign trade should be nationalised. There should be nationalisation of all essential consumer goods factories and other such establishments. There should be nationalisation of foreign trade and also food trade in the country. Without these socio-economic changes about which the Government has been talking and which has been the pledge given to the people, without

implementing them, you cannot deal with black money. Mere administrative measure will not do.

Under these circumstances, the Government appointed this Committee and the Committee has come out with a report. Now, while dealing with that, the thinking of the Government seems to be that they will have joint ventures with the very people who have accumulated black money, the Tatas and others. They are going to have joint ventures in industrial sphere. On the other side, the slogan is "Work". Work is the only slogan of Indian economy. The concentration of wealth and accumulation of black money goes on merrily.

So, the Wanchoo Committee report has been very disappointing. The slogan of self-reliance by the year 1980 is becoming a big joke a mockery. While we talk about Indian conditions, the Wanchoo Committee refers to Western conditions. The Western conditions have no relationship to Indian conditions. They have no comparison to our country. We are 300 years behind them in the case of development. To talk about Western conditions in relation to India is absurd. They do not want to evolve an Indian way of dealing with black money.

Whatever we try to do by way of implementation, it has to be not merely administrative measures but structural changes must be brought about in the socio-economic system. Unless you bring about structural changes, the black money cannot be dealt with. Without dealing with black money, you cannot bring about the development of this country or solve any of the people's problem. *Garibi Hatao* will be merely a slogan, a day-dream, if you do not bring about structural changes and deal with black money as it should be dealt with.

SHRI N. K. P. SALVE (Betul): Mr. Chairman, Sir, since the Report was published and was, thereafter, made available to us in the early part of this year, it evoked considerable interest in the country for it dealt with a very topical matter and

various comments were made expressing divergent shades of opinion as was inevitable. The comments were, as usual, inevitable, good, bad and indifferent. They were relevant, also irrelevant and some of them worthy of very useful consideration to see, to what extent, those comments could supplement the Report, to find some solution to this malaise of black money and tax-evasion. However, if someone wants to use this Report only for purposes of a very cheap political gimmickry, it is for the person concerned to do so if he thinks he is achieving some political ends. But so far as the purpose of finding out some solution to this menacing problem of tax-evasion and black money is concerned, there is no contribution made.

Various comments were made by Shri Jyotirmoy Bosu. Unfortunately, he is not here now. I would have convinced him how vague those comments have been. He referred to various estimates of tax evasion and tried to create an atmosphere as if we were living in a parallel economy, black money, which economy is more powerful than the real economy and that the parallel economy was the real economy, as it were. While I have not the slightest intention of minimising the extremely deleterious, harmful and pernicious character of black money and tax-evasion, I must point out that the figures given by Shri Jyotirmoy Bosu, though drawn from the Committee Report, are not put up here in a proper perspective. They have themselves relied on figures bereft of any conviction and with tremendous reservations. The system they have followed is anything but systematic. They have made no secret about it.

On p. 7 of the Report, they have themselves said:

"Research work on tax-evasion in this country is extremely limited; also attempts to estimate and study tax-evasion suffer from some basic infirmities owing to the insufficiency or non-availability of reliable data. Unless a detailed break-down of the total assessed income generated in

[Shri N. K. Salve]

each year is available, it is difficult to make a scientific study of the trend of tax-evasion"

Later on, while commenting on their own estimate of black money transactions to the tune of Rs. 7,000 crores, the Committee itself looks upon their estimate with some degree of ridicule. They themselves say . . .

'The money value of deals involving black money may, therefore, be not less than Rs 7,000 crores for 1968-69. We would, however, hasten to emphasise that the amount of tax evaded income for the year 1968-69 is only a guess estimate based on certain assumptions about it. Substantial difference of opinion exists for want of adequate date"

Therefore, the figures must be taken subject to these very serious limitations that there was not scientific data available, that there was no reliable basis for this estimate

Then it was said that the second report was written under duress. I asked him as to what was the basis for this type of allegation against a Commission which was headed by a retired Chief Justice. I do not know what was the basis. He did not want to divulge. If any of the two reports is written under duress, then both the reports are not worth the paper they were written on. How does he say that the first report is everything and that the second report is nothing? I submit that this type of allegation is bereft of any restraint and responsibility and does not help one way or the other.

He has become the greatest champion of the cause of demonetisation, and he draws his entire strength from the interim report of the Commission. I wish he had read this report a little more carefully and in detail. Then he would have realised that after the Committee had put in some more work, after they had called in some more witnesses and had taken their evidence, after they had collected some more facts, they found that demonetisation would not be a solution to the problem they

were trying to find a solution to. They have themselves given a finding to which I wish to refer. It is a complete answer to every one who is likely to be obsessed with the idea of demonetisation and run amuck as the Mover of this motion. They have themselves stated it. I wish he was here. This argument, this finding, I am inclined to consider, was made by the Committee in anticipation of the fact that this type of argument would be put forward by people who would not be able to properly digest the interim report or the final report. They have said that moneys are not available in currency notes, the moneys have gone in lavish consumption, they have gone in jewellery, in gold, in properties, in stocks, and that it is wholly wrong and erroneous to assume that moneys are hoarded and the moment demonetisation takes place, we will have uneathed all those moneys. Nothing can be more fallacious and unrealistic than this. The Committee has given its finding on page 8.

"In addition, we would also like to dispel a possible impression that the tax-evaded income is all lying hoarded which can be seized by the authorities, much of it has been either converted into assets or spent away in consumption or else in circulation in undisclosed business dealings."

Either demonetisation could have been recommended or this finding could have been given. The two could not have simultaneously found a place in a report which could be considered a consistent and a rational report. In the light of this, one can only come to this conclusion that, after the interim report, they must have reviewed the entire matter, looked into all the facts connected with black money, in what shape or form it is kept by different people, and then come to this conclusion that it is not hoarded in cash, they have said so in those terms; they have said that they want to dispel such an impression and, therefore, they have not recommended demonetisation which is being so much championed by Shri Basu.

The basic difficulty about demonetisation which Mr. Bosu does not seem to realise is this. However fanciful the idea may be, in practice does he realise how ineffective, how impracticable, how dangerous, the whole idea is going to be? The recent raids conducted in Bombay reveal that there was hardly any cash available for the tax officer to find in the houses of the film people. Then, finally, they have said that Rs. 7,000 crores worth of transactions are taking place in a parallel economy with unaccounted money. We want to curb that parallel economy. It is wholly a fallacious idea to consider that once we have taken out the current money and have introduced, for example, red currency instead of blue currency that will take care of the whole problem. Nothing can be more fallacious than this. The money is in circulation all right, never mind what is the colour. You may withdraw the old currency and introduce a new currency, but even then that money will still be in circulation. What about the circulation of Rs. 7,000 crores? It is the circulation of those Rs. 7,000 crores which leads to generation—and after generation, proliferation—of black money. How is that to be eradicated and remedied with demonetisation? Demonetisation is being resorted to as some sort of over-simplified process for finding a remedy for a malady where the remedy itself is much worse than the malady. Therefore, I suggest that the idea of demonetisation is utterly ridiculous.

One more question, I would like to ask him. Has he studied what was the result of demonetisation that we had in the country in 1944, how much black money, soon after the War, was the Income-tax Department in a position to unearth as a result of demonetisation? Wherever the Department started cases when demonetised notes came for encashment, wherever cases were started by the Income-tax Department, 'Here is the black money which is sought to be converted into new currencies', old currencies being repayable, all those cases were struck down in courts; there was no evidence to show that Rs. 10,000 or 20,000 which

these people had brought was not the money available with them. Where is the guarantee that this time the same thing will not happen?

Finally, the day you announce demonetisation, gold prices will go up by another Rs. 20 and every one will purchase gold, there will be a large scale organized racket taking advantage of demonetisation. Do not play havoc with your economy by this suggestion. Imagine the crisis that you are likely to create because of this. This Government has to have a stable monetary policy. You cannot distrust all the people in your own currency. Therefore, the whole idea of demonetisation, for him it is alright, but any one who carries some responsibility will not consider its worth the thought.

Coming to ceiling on cash holdings, it is an equally fanciful idea. We cannot be disrespectful to a legal tender. I have myself been thinking on the lines suggested by Dr. Rao, to have, if not a travellers' cheque, some sort of a cheque marked good for payment, some sort of demand draft of different denominations, but the real difficulty comes if you probe into the matter further, whether it is negotiable or not. For instance, A gives to B A puts his signature and B's name is written. The question is whether B, the recipient, can negotiate it or not. If he cannot negotiate, then we have the difficulties. There are not adequate banking facilities. If you are in the remotest corner of my constituency, for instance, where to get the cheque encashed? He will have difficulties in encashing this type of cheque. But then if the negotiability is unrestricted, that will become a parallel currency and that will be a subject matter of black money and black transactions. However, it is a matter which can be looked into more scientifically. The restriction on cash holdings need not be exactly in the form in which it was suggested, but some via media can be found out to curb black money transaction.

On acquisition of properties, we have already made the laws. Therefore, excepting unleashing a politi-

[Shri N. K. P. Salve]

cal attack on us, I do not know what Mr. Bosu had in mind while making the speech that he did today, trying to attack the Prime Minister unnecessarily.

With your permission, I will take a few minutes to make some of my comments on this report.

The first relates to reduction of rates. I entirely agree with Dr. Rao in what he has said about reduction of rates. The entire recommendation on reduction of rates has been made in such a cavalier manner, one is simply startled; no rationale is given how a person who would be a tax-evader at 99.75 would not be a tax-evader at 75 per cent. If a person wants to evade tax, he does not see what rates of taxation are there at the highest slab. If it is, say, Rs. 10 lakhs, usually the decision that he takes is, 'I am going to pay tax on Rs. 3 lakhs irrespective of the rate of tax'. He will submit a return of only Rs. 3 lakhs and will resist all the efforts of the Department to tax him on even a rupee more than Rs. 3 lakhs. That is how it is done. I might submit that 90 per cent of the people may not be knowing what are the highest rates, the different rates at different slabs. The tax-evader's psychology is not built with reference to high rates of taxation—the highest marginal rate of taxation—, it is essentially built with reference to what income he wants to pay tax on. They are suggesting reduction in the rates of taxation. But there is an important obligation which we have to carry out. How is that to be taken care of? That is the obligation connected with our social objectives and eradication of inequalities. Ending inequalities in wealth, opportunity and power is as much our bother as growth is. If we want to arrest the malaise of tax evasion and black money equally we want to ensure that these disparities are brought to an end. Now, this question of disparities has been dealt with in one sentence very cursorily: they have just dispensed with it in one sentence; this is what they say on page 19:

"One reason often given for adopting high tax-rates in this country is that they

would narrow down inequalities of income and wealth. In theory this might be a valid proposition but in practice high rates of taxation are apt to make the rich richer and the poor poorer thereby widening the gap between the two classes."

I wish they were serious about what they were saying and I wished at least two-third of it should have been devoted to do some research work, saying, all right, here has been the following rate of increase in taxation, this is how the disparities have grown, this according to us, will be the fair rate at which one would have an incentive to pay his taxes, this will ensure the objective namely, of ensuring the highest return to the exchequer and at the same time ensuring that it will not increase the disparities. But all that work has not been done. Instead, what do you find? Relief is given at the highest point. If you are earning about Rs. 70,000 they have recommended a rate of 74.75 per cent. It is for the benefit of people earning above Rs. 2 lakhs who will get the benefit of 23 per cent. A person earning Rs. 10,000 gets no benefit in the revised rates given by them. A person getting Rs. 15,000 gets a benefit of 0.6 per cent. A person who has Rs. 25,000 gets a benefit of 2 per cent. These people are all those who are crushed; people getting Rs. 1,000 and Rs. 1,500 are mostly salaried people and they are the most crushed section among the tax payers. They are not entitled to any relief whatsoever.

The only people who are entitled to relief are those earning Rs. 2 lakhs and above. Therefore, Sir, this proposal by which they are suggesting reduction in rates of taxation is thoroughly irrational and it has to be completely rejected.

The basic difficulty which is before us is this. In various recommendations that they are making, they are putting up arguments in favour of them and against them, as given to them by different people who appeared before them. There are no statistics, no data, no original work done in a report of this character. We have spent lakh of rupees on

it and one would have expected that whenever they make a suggestion they will go into it thoroughly.

They have suggested clubbing. At least in the minute of dissent, they have suggested clubbing and the entire report is suggesting limited clubbing. When they do it, one would have wished that they gave some figures saying, as a result of clubbing, in 5 years, what is going to be the offtake increase of the exchequer. Are we going to do this type of clubbing just for the sake of clubbing, or, does it serve any real purpose? If it has any real purpose, why cannot you put your idea into something more concrete? That has not been done, unfortunately, and that has not been achieved.

The Wanchoo Committee has not stated a word about the taxation of the companies. Yesterday only I was reading in Bombay a report given as a result of a study of the Reserve Bank, after a study of over 1205 top-most companies, and the effective rates that they have paid. That means, the real rate on the profits is 42 per cent in the year 1970-71 as against 47.5 per cent in the year 1967-68. Therefore, Sir, our companies are subject to a rate of taxation which is very rational, very liberal. But that is not dealt with at all, that is not mentioned here.

Why is there evasion in companies? They have not gone into it. This department has not done sufficient amount of research, unfortunately, to find out what the effective rates of taxation are over companies as a result of various deductions, various rebates and various concessions. The effective rates which ultimately come under companies are much less than the paper rates which we describe year after year in the Schedule to the Finance Act.

17 hrs.

About clubbing, Sir, this is suggested in the Minute of Dissent by Mr. Rangnekar and Mr. Chitale. It is a very pernicious and dangerous idea. I had a hunch that the Finance Ministry is possibly flirting with this idea and I thought if ever that idea is accepted how dangerous it is going to be on the people who are in

the lesser income group than those who are on the higher income brackets. There are some calculations made and they are startling calculations.

Apart from the reasons given by Dr. Rao for not clubbing the income for purposes of taxation with which I entirely agree, this is my reason, purely on the basis of taxation, as to how the burden will fall on those who are in lower income group and how relief as a result of clubbing will really go to those who are really rich.

This is a very crafty manner in which these things are done which is very unfortunate. May be they have done it inadvertently not knowing what they are writing. What they have done is really unfortunate. Take for example the case of a husband and a wife each earning Rs. 50,000. According to the existing rates of taxation, if they are separate, each has to pay a tax of Rs. 19,550 and between the two of them the tax would be Rs. 39,100. Now, if the clubbing is done, as per the report of Mr. Rangnekar and Mr. Chitale, what will happen is this Tax is levied at the rates given by them at page 20. Then on this Rs. 50,000 plus another Rs. 50,000, that is, on this Rs. one lakh, the tax payable will be Rs. 48,575, meaning an increase of Rs. 9,475, that is, 24 per cent increase. Take the case of a husband and wife, earning Rs 5 lakhs each. Today on Rs. 5 lakhs, the tax is Rs. 4,45,050; that means, husband and wife, together, will have to pay a tax of Rs. 8,90,100. If it is clubbed and it becomes Rs. 10 lakhs, then, according to the rates prescribed on page 20, instead of Rs. 8,90,100 according to the existing rates, the tax on the two will come to Rs. 7,21,325, a reduction of 18 per cent. The richer you become clubbing does not make any difference, because above Rs 60,000 they are recommending that the rate should be 74 per cent. So if it is clubbed at that level, it is going to make no difference. This is an extremely dangerous idea and it needs a sophisticated and well-trained machinery for doing this type of clubbing. Have they any idea? Have they looked into the various countries which have clubbing?

[Shri N. K. Salve]

In U.K. it has been made optional. Look at Canada, Australia, Sweden etc. They have complicated methods of clubbing it about and when they club it about, they have tremendously streamlined methods of bringing about and ensuring that there is no harassment caused to the people who are assessed and that the exchequer is not put to any jeopardy. There different higher slabs of exemptions are given. They have other relief given and there it is a more homogeneous sort of society which is more easily amenable to that type of pattern. It is certainly not possible in India.

This is my last point I wish to deal with litigation, very wastful litigation which the Department indulges in. Large amount of appeals,—trivial, flimsy, frivolous appeals,—are filed by the Department, lock, stock and barrel, against all the orders passed by the Appellate Assistant Commissioners of Income-tax. Persistently, Sir, I have been objecting, objecting and objecting with the Finance Minister and with the Minister of State and saying: Kindly check up from the tribunal, whether of the appeals you are filing against the order of the Appellate Assistant Commissioner of Income-tax, 80 to 90 per cent appeals have been dismissed or not.

Sir, what is the use of foisting litigation on to the heads of the assesses when you are only unnecessarily adding to the litigation?

Something needs to be done about it. If they think that the litigation is a justified litigation in the interests of revenue then let them agree to the principle of costs. If they will have to bear costs, then many trivial and flimsy litigation cases will not be there, and are could under stand it. Unless this is done, it will be impossible to put an end to this type of attitude on the part of the Department. For, I have realised that the unwillingness of the tax-payer to desist from avoiding taxation can only be matched with the over-unwillingness of the Department to desist from having the most futile, the most unproductive and the most insensible tax litigation.

SHRI MURASOLI MARAN (Madras South): The Wanchoo Committee's report is a strange mixed bag containing something for the radical-minded people and some other things for the richest sections of society. Dr. V. K. R. Varadaraja Rao and Shri N. K. P. Salve ably defended the Government for not demonetising the currency notes as suggested in the interim report. But I am sorry to say that the great expert in economic and the expert in taxation laws could not defend the Government for withholding the publication of the interim report. Some time back, Shri Yeshwantrao Chavan explained that the publication of the interim report was found unnecessary as the final report had been published. But now here comes Shri Yeshwantrao Chavan's advocate who has pleaded some other thing I am sorry to say that Shri N. K. P. Salve was quoted out of context from the final report. My hon. friends opposite maintain that this kind of suggestion about demonetisation was found unnecessary, they also maintain that suddenly wisdom dawned on the members of the committee after they released the interim report. This is not true. I would like to quote from the same report. The Committee say:

"An interim report was submitted to the Government towards the end of 1970 recommending therein some important steps of a radical nature for immediate implementation. After detailed deliberations and careful consideration, the Committee is still fully convinced . . ."

—mark the words 'still fully convinced—

" . . . about the efficacy and feasibility of the measures recommended in the interim report."

This is the feeling expressed in the final report. As the Deputy-Speaker himself has pointed out, the interim report and the final report are linked together. But while the final report has been placed on the Table of the House, the interim report has not been placed by Government on the table of the House, but it has been placed on the Table of the House by

Shri Jyotirmoy Bosu. I do not know what the rules of the House have to say in this matter. But if a report contains something produced before and if the two have some relationship, then even though the rules may not demand that both should be placed on the Table of the House, yet I feel that conventions demand that the interim report also should be laid on the Table of the House.

The interim report was not the result of a hasty conclusion. They pondered over the matter for eight months and they were going into the very urgent problem of the nation, namely the creation and proliferation of black money, and they have suggested some radical measures. But we are yet to understand why Government have not produced the interim report. It is not as though all the reports given by all the committees or all the recommendations made by the so-called committees are accepted by Government. Government can at any time pick and choose. They are at liberty to do whatever they want. But so far, no sufficient reason has been given for withholding the publication of the interim report.

I would say that Government are themselves to blame for making Shri Jyotirmoy Bosu a James Bond type hero, and I congratulate Shri Jyotirmoy Bosu on his 007—operations. We all know that Government are in an embarrassment. In my language there is a proverb which describes this kind of embarrassing situation. It is that faced by a Brahmin lady whose dry meat had been stolen. She could not cry; she could not complain and she could not own the mistake also. This is the situation which Government are facing.

If Government themselves were thinking in terms of introducing demonetisation, if at that stage, Shri Jyotirmoy Bosu had released the interim report then Shri Bosu has spoilt a good move by disclosing this report publicly. The guilt on the part of the Government is more because they have failed to keep a secret document. I think Parliament and the public have a right to know what has happened. Is the report placed on the Table of the House by Shri Jyotirmoy Bosu the real one or is

it a fake one? If so, why did Government not place the same on the Table of the House? I hope the hon. Minister will give a good explanation.

The Wanchoo Committee's report is a little disappointing to those who wished that the jungle of tax laws which confuse us, the tax payers and the tax administrators would be cleared. We all expected a simplification and rationalisation of the entire tax structure. But nothing of that sort has happened. We all know that taxation is the principal means of redistributing the resources. But it is our view that the Wanchoo Committee's report has failed to view direct taxes and their role vis-a-vis the economic and social objectives. I do not think that the Wanchoo Committee themselves are to be blamed for this. Perhaps, the terms of reference were so narrow that they could not act otherwise. But yet, for the first time, a detailed and authoritative study has been made on black money and the causes for black money have been diagnosed. Unfortunately, no data exist and so, it is a guess work, and one can only make a 'guesstimate' in regard to the existence of black money in various forms.

The Wanchoo Committee have listed various reasons for the emergence of black money. But they have failed to pinpoint the major fountainhead of black money. The income-tax payees are allowed an amount of expenditure necessary to create the income. Here is the loophole which provides the income-tax payee with a means to amass huge sums of black money. But nothing has been suggested by the Wanchoo Committee to plug that loophole. Unless that loophole is plugged, I think the generation of black money will continue to grow.

MR CHAIRMAN: Now, the hon. Member should try to conclude.

SHRI MURASOLI MARAN: Please give me some more time. It is an important problem.

SHRI JYOTIRMOY BOSU: I suggest that this may continue on Monday, because it is a very important discussion. We are working for six days a week and with no lunch-break. After all, we are human beings, and

our capacity to sit for longer hours is limited. Just think of the people sitting above, the press people who have to make out a story. Again, how about the staff of Lok Sabha Secretariat?

MR. CHAIRMAN: We shall see. Now, let the hon. Member try to conclude his speech

SHRI MURASOLI MARAN: Dr V. K. R. Varadaraja Rao had suggested some kind of method, but Shri N. K. P. Salve had disagreed with it. I feel that instead of taxes like income-tax and others, if we have a big turnover tax, that would do away with black money. Whether one makes a profit or loss, a tax should be there on the turnover, and I think that could solve the problem to some extent.

Strangely, as pointed out by my hon friend, the Wanchoo Committee have suggested that the taxation on the highest income bracket should be reduced from 97.5 per cent to 75 per cent. It is very strange indeed. We have no record to show that if the tax on the highest income bracket is reduced, they will not evade income-tax

Black money came into existence during the second world war. At that time, the maximum rate of tax was only 68 per cent. Ironically, it was during that time that the term 'black money' came into coinage.

There is a difference between this Committee and the Bhoothalingam Committee. The latter suggested that the minimum exemption limit for income tax should be raised Rs. 7,500. In India there is a cry that taxation is high. I agree it is high, for whom? Not for the rich or super-rich, but for the poor and the middle income group. If the Bhoothalingam Committee's recommendation had been accepted in this regard, that would have brought a good result.

MR. CHAIRMAN: There is one difficulty. I will have to be strict now with time. There are many speakers on the list. We have to finish this business today

SHRI PILOO MODY: The Congress Party has exhausted its time.

SHRI MURASOLI MARAN : Give me three more minutes.

If that recommendation had been accepted, at least half of the staff employed in the income-tax department could do more productive work and more than 2 million assesseees will be grateful to Government. I think Government should consider this kind of view.

Whenever we talk of black money operating, there is an impression abroad that only the rich industrialists or moneybags are the culprits. It is not so. It extends to small traders, lawyers, doctors, small entrepreneurs.

SHRI PILOO MODY: Pan-wallas.

SHRI MURASOLI MARAN: Yes, pan-wallas, self-employed people. All have black money according to their capacity to earn. Where is the machinery the Government of India have to inspect and check this kind of people? Pan-wallas are there not only in towns where the income-tax department operates, but everywhere in the country, doctors are there everywhere, self-employed people are there everywhere. These people are there in every big village. As regards those who are the big people in the towns, the income-tax department can take care of them. But the Government of India have no proper machinery for tackling all these people.

Regarding income-tax, two things happen. Out of tax assessed, there are huge arrears every year, to the tune of Rs 500 crores. Secondly, there are millions of income earners who do not pay tax. Let us compare these figures with the sales tax which comes under the State Governments. There the State Governments have got the proper machinery. I think evasion is less; arrears also should be less if we compare them with those of the income-tax department.

What I plead is that for income-tax assessment and collection, the machinery of the State Governments should be made use of. Even now they are making use of it. If Shri Piloo Mody does not pay his tax, the Collector will go to his house on the request of the income-tax department. But I say this is not enough. The State Governments have the proper machinery. It should be made use of.

Secondly, a major recommendation of the Wanchoo Committee is that in the interest of uniformity and stability, the Central Government should assume the power to levy and administer tax on agricultural income.

SHRI PILOO MODY Why not the States themselves?

SHRI MURASOLI MARAN. We also agree that many industrialists and film stars own big farms and also convert black money into white money through these devices. We do not deny it. But should the Centre take away the right of the States? Now the entire India except Tamil Nadu is ruled by a single party. Even in Tamil Nadu ideologically we are not different from the ruling party elsewhere. We never lag behind them in socialist policies.

SHRI PILOO MODY Shame on you

SHRI MURASOLI MARAN In this context why should not the ruling party ask the Chief Ministers to put a tax on the rural rich? It could easily have been done. Why did they not do it?

AN HON MEMBER Because it is a State subject

SHRI MURASOLI MARAN In Tamil Nadu, we have made a beginning to tax the rural rich and we know what followed. I do not want to go into that controversy. But we should do some heart-searching whether we are genuinely and honestly interested in taxing agricultural income. Even if the Centre takes the power from the States, is there any guarantee that it will effectively use that taxing power? Those industrialists and film stars who now show big incomes from their agricultural operations will later show huge losses if the Centre links income tax with an agricultural income tax. Today they are showing profit because it is very convenient for them to convert black money into white. If tomorrow you link the two, they will show huge losses.

Moreover Tamil Nadu is completing the land ceiling operation very soon. If the Congress is sincere all the State Governments will complete their land ceiling operations. Then

I ask where will there be big land holdings to tax? Theoretically no big land holdings will be there for the big industrialists who take shelter under agriculture.

Only a few of the recommendations of the Wanchoo Committee have been highlighted. Now I want to focus attention on one of the most important recommendations of the Committee. It is on p. 129. It reads:

"We consider that the Central Board of Direct Taxes should not be a part of the Ministry of Finance".

Why? They answer as follows.

"As it happens, the secretariat offices function in an environment where they are susceptible to political influences. In a democracy, the elected representatives of the people, no doubt, have to formulate and shape policies including fiscal policies. It would be unfortunate, however, if in execution and implementation of policy, there were elements of intrusion and interference".

I think this is the most revolutionary suggestion made by the Committee. We know the result of not following this system. Many leaders of State Governments have become Governors because the Government did not follow this suggestion. I hope this is an epoch-making, revolutionary suggestion will be accepted by Government.

MR CHAIRMAN: Shri D. D. Desai

SHRI N. K. SANGHI (Jalore): Two Congress members should be called and then an Opposition member. Otherwise, Congress members will not get their chance.

MR CHAIRMAN: We will finish this business today.

SHRI JYOTIRMOY BOSU On a point of order under rule 376. The list of business shows that the House will rise at 6 p.m. Secondly, you must not lose sight of the fact that today is Saturday. You should not also forget that we have been foregoing the lunch hour since Monday. What does the Government expect out of us? You must make it clear.

SHRI PILOO MODY: Let Government cut down their legislative programme. Let them cut out useless Bills which are being brought.

SHRI JYOTIRMOY BOSU: The Chair has to function within its rights. You cannot say that the House will sit till 5 a.m. tomorrow.

MR. CHAIRMAN: It is true we have been sitting continuously from 11 to 6. But whenever any subject comes, extension of time is demanded. Next week we are very tight in schedule. So we have to finish this today.

SHRI JYOTIRMOY BOSU: I feel I have not been able to impress on you what we have at heart.

We have foregone the lunch-hour. How much are we expected to work? We just cannot do it. If you force us this way, we have to think about a different action.

MR. CHAIRMAN: Let us see. Mr. D. D. Desai.

SHRI D. D. DESAI (Kaira): Mr. Chairman, Sir, if one looks at the composition of the Wanchoo Committee, one can say that they were impartial people. During the debate many references have been made regarding black money and tax concealments. Also the quantum of the black money turnover on which tax is evaded has also been referred to. They have been mentioned in the Wanchoo Committee's report.

17.26 hrs.

[**SHRI N. K. P. SALVE** in the Chair].

Particular mention has been repeatedly made about the black money turnover of Rs. 7,000 crores but for this turnover one would not require Rs. 7,000 crores as such. Anyone in business would easily know and say that for an annual turnover of Rs. 7,000 crores and, that if it is said that Rs. 1,400 crores is the income concealed which means, 20 per cent of the turnover is net income, and when the best balance-sheets do not disclose four to five per cent as net income, the amount required would not exceed Rs. 1,400 crores to make a turnover of concealed deals of Rs. 7,000 crores.

The tax evaded annually has been computed in report as Rs. 400 crores. That appears to be on the higher side, because, once the total amount of black money is computed at Rs. 1,400 crores or Rs. 1,500 crores, then we can easily judge that over a long period, the total amount concealed is that Rs. 1,400 crores or Rs. 1,500 crores and the tax evaded would be correspondingly lower. Further, the basis assumed by the Wanchoo Committee for computing black deals has been that of Kaldor. Here again, we must know that the basis has since changed. More assessees have come in with the result that the incomes have got distributed and so also wealth and so also the tax liabilities.

Further, we observe that each time reports are not taken in their totality, being interlinked. An impression exists that if we accept the recommendations adverse to the assessee and reject the recommendations favouring the assessee, then we are improving the exchequer's resources. This could not be true. Kaldor himself has recommended about 40 to 50 per cent as the maximum marginal limit. We did not accept that. If we look at tax from the other angle, today, a tax assessee would put in efforts, risks and so on, but be a 2½ per cent commission agent of the Government of India, if he has to pay the highest rate. As against that, it has been mentioned that if a 75 per cent marginal maximum tax limit was fixed, there would not be much of tax loss, but again one must recognise that 25 per cent of white money that an assessee might get would bring him year after year such income on it that he would make efforts, run risks to earn and definitely go in for that 25 per cent saving as against concealing the whole 100 per cent. He does not like to take the risk of losses, and if he makes an earning, he gains only to the extent of 2½ per cent.

Then we come to the Tax Act itself. Here, we find that up to 1939, we had hardly 60 sections in the Tax Act. Today, we have 299 sections in the Taxation Act. This is complicating for assessee, the collections and also the procedure. To that extent, there must be some revision made in whatever

legislation or recommendations we make.

Then there is the question of the total number of tax assessees. We find that probably there are over three million tax assessees today; it is, about 3.2 million to 3.5 million; any figure around that. But out of that, nearly two million have hardly an income above Rs. 7,500 a year. Therefore, if we make this slab free, probably the loss to the exchequer is not more than Rs. 7 crores to Rs. 10 crores as was estimated by Bhhothalingam Committee. But then the department's workload will be hardly a million assessees and in that case, they can discharge the responsibilities better and more than make up in taxes collected.

There has been mention made about demonetising and even eliminating transactions through currency. Replies have been given in this House about demonetisation, and I do not want to repeat. But eliminating transaction through currency would not be a proper thing, because, after all, currency is the medium, and the media can change. So, even with a changed medium, illegal transactions could be done or devised and taxes avoided.

MR. CHAIRMAN: The hon Member's time is up.

SHRI D.D. DESAI: There should be an incentive to produce, an incentive to earn and an incentive to pay.

SHRI JYOTIRMOY BOSU: To which party does Mr. Desai belong?

SHRI D. D. DESAI: Dr. Rao has said that business income is not flexible and that any professionals like lawyers, medical practitioners and so on can adjust their incomes but business or industry cannot and will up or down their incomes. Believe me, Sir, industry or business can do that, make losses also, and if there is no return, certainly indifference creeps in and a certain amount of indifference is sure loss and thus a loss of tax revenue can also take place.

SHRI VIRENDRA AGARWAL (Moradabad): Mr. Chairman, Sir,

black money is growing every day. The common man feels that the present Government is neither serious nor sincere to unearth black money. Black money and blackmail are the essential virtues of the present Government. It is well known that the present Government will not accept either the interim report or the final report. It is very obvious from the speeches made by the Congress Members.

We know that the Wanchoo Committee has made five major recommendations. First, demonetisation; second, a ceiling on cash holdings; third, reduction in tax rates; fourth, removing controls and permits; and fifth, strengthening of the tax administration I support all these five recommendations of the Wanchoo Committee.

The democratic functioning makes it obligatory on the part of the Government to be guided entirely by public opinion. Rightly or wrongly, public opinion in this country feels that demonetisation is the only solution to end black money. If the Government does not resort to demonetisation, that would simply imply that the present Government has got a share in black money. Therefore, it is not a question of going into the merits of the problem. Whether demonetisation is wrong or right, the Government have been doing a large number of things which are not in the interests of the people. The people of this country are convinced that demonetisation is the only solution to solve the problem of black money. Therefore, if this House and the country are to be guided by public opinion—and we know that any democratic country has to be guided by public opinion—then, surely public opinion in this country is that demonetisation would be the only solution for unearthing black money.

I know the reply that the Finance Minister gave the other day, namely, demonetisation will not be good for the country when there is a debate going on in Parliament here, on demonetisation, I do agree with it. But it is true that the country is de-

standing demonetisation from the Government, because the country is convinced that this Government has developed vested interests in black money. Therefore, it is not necessary that the Government should declare demonetisation today. Let the Government wait and see for the right time to demonetise. Demonetisation is a must, and if demonetisation is not done, the common man will believe, the nation will believe that this Government has got a share in the black money and their party has got a share in black money. I would like to make that point emphatically clear.

We have just heard the argument against ceiling on cash holdings also. I do not really see any reason why we should not place a ceiling on cash holdings.

SHRI K. R. GANESH: Black deeds. *(Interruption)*

SHRI JYOTIRMOY BOSU: Black deals by R. P. Goenka?

SHRI K. R. GANESH: I am talking about black deeds. *(Interruptions)*

MR. CHAIRMAN: What is it?

SHRI JYOTIRMOY BOSU: On a point of order under rule 376. The hon. Minister just now said, loud enough to be heard by some of us, that we were taking recourse to certain tactics. What tactics is he talking about? Is it about black money? Is it R. P. Goenka's patronage, the posters? What is it about? I want to know.

MR. CHAIRMAN: There is no point of order.

SHRI VIRENDRA AGARWAL: Talking about ceilings on cash holdings and the national debate on the subject, I would support the demand of Mr. Bose that the interim report must be published, if the Government wants that people should have confidence in its decency, if the Government want that the people should have confidence in the present Government.....

AN HON. MEMBER: That is why they have elected this Government.

SHRI VIRENDRA AGARWAL:... what is the difficulty for the Government to place the interim report before the House?

Finally, I know that it is true that democracy always functions through committees and commissions. But if the reports of such commissions and committees are not paid full attention by the Government and they remain in the shelves of the various Ministries allowing to get dust accumulated on them, I can tell you people will start losing faith in the democratic structure. Therefore every possible attention need be paid to valuable suggestions made by the Wanchoo Committee; we must go into the various issues. I know that various derogatory remarks have been made about the integrity of justice Wanchoo which I must condemn them with all my force. No decent man in this country, no man of integrity would like to be associated with any Government activity if any derogatory remarks are made about the integrity, about justness of a man like Mr. Justice Wanchoo. That point we must understand. We must pay respect to the recommendations that the Wanchoo committee had made. Wanchoo committee had made various estimates; we may have difference of opinion. I know data is not available. But Wanchoo committee has estimated black money at Rs. 1,400 crores. I know in 1965-66 while Mr. T. T. Krishnamachari was the Finance Minister of this country he had told me that black money did not exceed Rs. 1,000 crores in this country. These are various estimates that are being made. The question is, while income-tax rates have risen from 82 to 98 per cent, this is an incentive for tax evasion. If the reward of tax evasion is greater than there is no tendency towards declaration. A very high incidence of tax puts a premium on honesty and makes evasion profitable. The Public Accounts Committee in its 17th report said the Government should adopt a fiscal policy that tax evasion is unrewarding. The present rates are almost confiscatory.

Lastly, I can say that it is being argued that the Wanchoo committee recommendations are not in accordance with the economic and social objectives of the Congress Party. I want to know, what are the objectives of the Congress Party? What is the philosophy of the Congress Party? Is it the philosophy to produce corrupt, inefficient man or to produce an economic structure based on honesty, efficiency and enterprise? I take it for granted that the Congress Party cannot stand for corruption or dishonesty, it must stand for honesty, and efficiency and therefore I do not see how any Government on earth can ever check black money without reducing tax rates. Similarly, I would support what Dr. V. K. R. V. Rao has said. Government must go into the whole question of controls, permits and licences. It is equally true that the poor is being burdened unnecessarily.

MR. CHAIRMAN: Please conclude.

SHRI VIRENDRA AGARWAL: I feel that the common man is having a huge burden because of high tax rate and prices. He must be given tax exemption upto Rs. 7,500. If these two proposals are accepted by the Government, then both the proposals will not bring about a loss of more than Rs. 52 crores to the Government, which can go a long way not only to unearth black money but also to raise the rate of saving and investment which I think is absolutely essential for building a socialist society in India.

MR. CHAIRMAN: Mr. Stephen.

SHRI PILOO MODY: The Congress Party has exhausted its time . . . (Interruptions). Prof. Rao spoke for fifty minutes.

MR. CHAIRMAN: It has got one hour and 25 minutes. Dr. Rao spoke for 36 minutes and I spoke for 24 minutes. Mr. Desai spoke for six minutes—making a total of 66 minutes. These are the calculations.

SHRI C. M. STEPHEN (Muvattupuzha): Rising to speak on this document, I am conscious of a very important fact that this House is discussing

a report which could have been of a very vital importance to the economy of our country. But the trend of discussion and debate, and the method in which the discussion was initiated and the act of adventurism Mr. Bosu demonstrated have done more disservice to the country than any service. Mr. Chairman, you spoke from this side and Dr. Rao also, and both of you have dealt with different proposals of this report and I do not want to cover the same ground.

I do want to highlight another aspect as between the Government and Mr. Bosu, the way in which the report was handled by the Government on the one hand and Mr. Bosu on the other hand I specifically say Mr. Bosu, because I do not identify him with the entire opposition, nor even with the party to which he says he belongs, because I do not find much of enthusiasm in the party generally on the line he has taken.

This report was not put in cold storage by the Government. The report was discussed by the Consultative Committee of Parliament which met recently and at two sittings elaborate discussions took place. More than that, I understand that under the auspices of the Government themselves, a national seminar was organised wherein economists, professors, financiers and persons from different walks of life participated and detailed discussions took place for over two days. I am sure this report must have been studied by serious persons who count and who are going to execute this. That is the way a report of this nature has got to be handled

A specific question was asked: why not publish the interim report? Was there any need to publish it? Would it have done any service to public at large? Demonetisation is a matter which he highlighted. If the Government wanted to accept demonetisation proposals, nothing would have been more foolish than publishing the report to give the warning that demonetisation was coming. On the other hand, if the Government do not want to accept the demonetisation proposal, government would certainly be doing

[Shri C. M. Stephen]

a havoc to the economy and the monetary structure of this country, giving fright to the people by officially publishing this demonetisation recommendation, by giving an indication that there is a possibility for demonetisation to come through. Either way, it would have been causing havoc for the government to publish the report on demonetisation. Therefore, I should compliment the government for the act of sanity, sobriety, maturity and administrative efficiency and foresight they showed in treating this report as secret which considering the recommendations made in this report.

I entirely agree with the submissions made here about the contents of the report. I do not want to go into that. But I will deal with the way in which our hon. friend, Shri Jyotirmoy Bosu, handled it. He has said so many things about the Prime Minister. I am not bothered about it because the Prime Minister is tall enough to stand up to any slander. But what did he do? Let us look at it from a moral standpoint. The document which he produced the so-called interim report, is either genuine or not genuine. If it is genuine, then I submit it is a stolen property. I can understand a journalist making a scoop. But before the Parliament of India, a sovereign body, a Member comes with a particular document, saying here is a document I have stolen, and the document is placed before the House. That document was not initially placed on the Table of the House. He made an application to the Speaker. Pending consideration by the Speaker, he distributes copies of that to the press. In fact, a question of privilege arises . . . (*Interruptions*). It is stipulated in the rules that where a notice is given, before the notice is disposed of by the Speaker the concerned document shall not be published. That is a specific injunction contained in the rules. Anyway, I did not give notice of a privilege motion . . . (*Interruptions*).

By bringing this document before the House, by repeatedly shouting about demonetisation, by giving notice to the entire country that this matter was before the government, what has

happened? Prices have gone up. Even the twenty rupee note which was recently issued is not seen. Persons who have got black money have changed it into small denomination notes and they are in a safe position.

Shri Bosu makes an allegation against us that we are hand in glove with people who have black money. Now I put the allegation on him that this was not an innocent performance of his. It was a calculated, deliberate attempt to play the role of an agency of certain people who have black money, giving warning to these people so that they may . . . (*Interruptions*). This is what has happened. This is a very important matter. This is the result of his action. By the discussion of this topic the prices have gone up, the gold prices have gone up, small denomination notes have just gone underground and persons who have got black money have changed it and they are now in a safe position. Though he now puts on or assumes the image of a different person, this is what he has done.

Now that my time is up, I want to say only one thing about demonetisation before concluding. Demonetisation is not so simple a matter. If demonetisation is effected, lakhs and lakhs of people in the rural areas, workers who may have a few hundred rupee notes with them will have to declare them and they will be in a calamitous position and may be other consequences may follow. I do not want to go into the details, but I do want to deal with this aspect of the matter. The way Shri Jyotirmoy Bosu initiated the debate, the way he brought forward the interim report, the way he made noise about demonetisation, by that he was making a deliberate attempt to safeguard the blackmarketeers, people with black money. That is why he initiated that.

I say that this government must take drastic steps for the purpose of combating black money. Apart from that, our socio-economic fabric has to be changed. That is the only answer to combat black money. This sort of gimmicks have to be faced up. I appeal to the government to initiate steps and make an inquiry as to how this

stealing took place from the archives of the government. That inquiry has to be instituted. With these words, I conclude.

SHRI PILOO MODY (Godhra): Mr. Chairman, Sir, today I have heard Shri Stephen make the most enlightening speech that has ever been heard in any Parliament of any country in the world. He has actually stated that it is Shri Jyotirmoy Bosu who is responsible for the circulation of the black money in this country and that he, his leader and his party, are totally absolved from all responsibility for having brought about and created this black money in the last 20 years or more. The Congress Party has been fooling the people all these years by saying that they are anxious to eradicate black money. I charge this Government of the most blatant hypocrisy every time they mention they are interested in eradicating black money because they are just not interested in eradicating it. They have from time to time brought experts, instituted committees, called upon commissions to examine the question.

The question of eradicating black-money requires no examination, requires no study, but a modicum of commonsense which I cannot possibly credit this Government with. If I had been asked ten years ago to give on two type-written sheets how black money can be eradicated, I would have given them the same conclusion which they have arrived at after having gone through all these tortuous processes of consulting experts, committees and commissions.

They appointed a committee, by all means, by all methods the most unexceptional committee consisting of Justice Wanchoo and many others, experts in their own fields, and that committee with great pains, with great care, with great effort sought to find out how this blackmoney has accumulated and how it can be cured.

17.52 hrs.

(**SHRI K. N. TIWARI in the Chair**).

When the Wanchoo Committee Report had been published, what

happened? The Young Turks of the Congress Party, I do not know whether they were led or misled by Shri Salve himself, started casting derogatory remarks against the Wanchoo Committee Report—at one time Shri Salve himself got up and said that this report could have been written by the Swatantra Party, as if this was the greatest smear that he could put on the Wanchoo Committee Report. After all, if the Government were anxious to produce a report which reflected their own thinking, I do not see why they did not appoint a committee or commission consisting of Shri Mohan Kumaramangalam as its Chairman, Shri K. R. Ganesh, Shri Raghunatha Reddy, Shri S. M. Banerjee, Shri Chandrajeet Yadhav and Shri N.K.P. Salve so that he could point out all the loopholes in the suggestions that they made.

SHRI K. R. GANESH: That Committee would not be complete without an agency. I hope he will provide that agency.

SHRI PILOO MODY: I do not know how I can possibly represent the KGB. In case he likes, I can give him a list of the names of the persons belonging to the agencies of the KGB, from top to bottom in order of priority and protocol. Do not give me any nonsense about agencies. It is all in his mind.

Coming back to the Committee, it was an honest Committee consisting of decent people in this country who were entrusted with a decent job of work to do and who have done a decent job, and they came out with a report only to find it being smeared by those people who are much too clever by half.

It was, after all, Mr. Kaldor who came here many years ago, in 1956, and suggested a method by which black money can be eradicated. He suggested a tax structure which if it had been employed by them, today there would have been hardly any black money in this country. But this Government could not, cannot and is not willing to accept any rational suggestion which will eradicate black money from this country. For obvious

[Shri Piloo Mody]

reasons, which we understand only too well, not a single one of them would have been elected to this House but for the fact that black money is available to them from morning, noon and night, year in and year out, day in and day out. None of them would have been here . . . (*Interruptions*).

SHRI K. R. GANESH. It is a wild allegation . . .

MR. CHAIRMAN. Mr. Piloo Mody, you are casting an aspersion on all your colleagues on this side of the House . . .

SHRI PILOO MODY: I am prepared to exempt you.

MR. CHAIRMAN: I am one of them. This is very objectionable.

SHRI PILOO MODY: When he gets up and makes an accusation of people belonging to agencies, this and that, his voice gets choked in his mouth. But when somebody makes a little allegation which is a hundred per cent right, he shivers and starts raising objections. It is time that somebody spoke the truth.

SHRI K. R. GANESH. It is a wrong allegation.

SHRI PILOO MODY: It is time you learnt the truth.

SHRI K. R. GANESH. It is time somebody called you this . . . (*Interruptions*).

SHRI P. K. DEO (Kalabandi). He has got the right of reply.

SHRI K. R. GANESH. He will go away; he will not sit here to hear my reply. (*Interruption*)

SHRI R. D. BHANDARE (Bombay Central): On a point of order, Sir.

Mr. Piloo Mody has made certain remarks—I will not use the word 'allegation'—which cast an aspersion on the Members of this honourable House. It is derogatory not only to the honourable House but also to the

Members to say that but for black money, they would not have been able to come to this House. This is a representative form of Government. We have been elected by the people unless he goes to the extent of saying that without even votes we have come here.

SHRI PILOO MODY: That is also true in some cases.

SHRI R. D. BHANDARE: It is not in keeping with the dignity of the House. Therefore, his remarks which are derogatory to the House and to the Members must be expunged from the records.

SHRI PILOO MODY: Never.

SHRI R. D. BHANDARE. Have I made the point clear? He says, but for the black money, we would not have been elected to this House. This is derogatory to the House and to the Members. Ours is a parliamentary democracy. Under the Constitution, we have been elected by the people. These remarks should be expunged.

Under the People's Representation Act we have made a provision that certain amount would be spent on elections. Under the People's Representation Act, we are allowed to spend certain amount. If that amount is to be called black money, then, I think—I am not making an allegation or an accusation—he is making derogatory remarks against the House and against the Members. Therefore, those remarks should be expunged.

18 hrs.

MR. CHAIRMAN: I will look into the records. There is one thing. It is not in very good taste, what you have said about your colleagues on the Congress Benches sitting here . . . (*Interruptions*)

SHRI R. D. BHANDARE: I have made a point of order. You have not given your ruling. You have only made an observation that it is not befitting the hon. Member to say that. The hon. Member says specifically that we have been elected with

the help of black money. That is derogatory to the Members and the House. Therefore, it ought to be expunged.

MR. CHAIRMAN: I will look to the rules and the records also.

SHRI R. D. BHANDARE: After looking into the records, you expunge it

SHRI PILOO MODY: What is your ruling, Sir?

MR CHAIRMAN: I will look to the rules and the records. Then, I will come to a decision.

SHRI JYOTIRMOY BOSU: On a point of order, Sir

I thought Mr Bhandare was a knowledgeable person. At one point, he was going to be the Law Minister in the last House. If he looks at Rule 380, it does not say about derogatory remark. I am most disappointed.

SHRI PILOO MODY. Sir, to the best of my knowledge, I have not said anything that is unparliamentary and requires to be expunged. I have not been elected to the House of the People, to the Indian Parliament, only to say things that this Government would like to hear or to flatter my colleagues as far as the House is concerned. If he wants my flattery, he will have to come out in the Lobby or in the Central Hall. I am not prepared to flatter them in the House; I am here to speak the truth.

This is as I see it. If this is what I feel has been happening in the country, it is my birth-right to be able to say it in the Parliament of this country. If it is unparliamentary according to the rules, by all means, expunge it. I certainly will not be a party to any expunging of what I have said so far. What I might say in future is subject to your ruling, Sir.

I was talking about the various committees and commissions that have been appointed from time to time, first Kaidor, then the Bhoothalingam Committee Report, now the Wanchoo Committee Report. I

would like to make one very pertinent objection on the percentage of highest taxation slab that the Wanchoo Committee recommend, that is, of 75 per cent. This is very pertinent to note that in 1956 it was permissible for an expert to get up and say that in order to eradicate black money, you have to bring down the maximum slab of taxation to 45 per cent. It is indeed strange that within 15 years, we have been so brain-washed, so completely frightened, so completely injected with fear in our minds and thinking that it is with the greatest hesitation that the Wanchoo Committee reported and managed to bring it down to 75 per cent.

If you were to go back to the Wanchoo Committee and ask them, "Do you really think 75 per cent is enough?", they will say, "No. But we were afraid of suggesting a further reduction for fear that the entire report would be thrown out."

I say this only to illustrate the sort of propaganda offensive, the sort of brain-washing, that the entire country is going through so that even dispassionate advice tends at times to be somewhat hesitant.

Prof. Rao made several, rather interesting suggestions.

SHRI JYOTIRMOY BOSU: Where is he?

SHRI PILOO MODY: He has gone home. He only comes to make speeches

Being a professor, he has, of course, been carried away. But there is one thing that he said, that payment shall not be made in cash that is worth considering. It is a very good idea. Nobody likes to make payment in cash. I myself have very often been inconvenienced by the fact that I did not have enough cash with me; I had to carry so much cash with me in order to make a particular purchase which I could not make by cheque or any other document, that it had made me uncomfortable. Therefore, I think that some method is necessary by which less and less transactions take place in cash. Un-

[Shri Piloo Mody]

fortunately this cannot be done by legislation. Unfortunately the Professor being highly technical had gone beyond himself. What should be done is that the banking system should be made better as in European countries or in America. You do not have very serious difficulties in encashing cheques there, and I certainly do not want to say that we in India are more dishonest or less dishonest than we cannot adopt this system easily. I grant you that there are certain difficulties, particularly in rural areas where you have a shortage of banks and their branches. But it is a very good idea.

Then another suggestion which Dr. V. K. R. V. Rao has made, which is excellent from every point of view and unexceptionable, is that the transactions which take place on property and things like that, should be in the public gaze, in the public domain. Nothing destroys as much as public exposure. Therefore, I would like the Government to have the names of tax-evaders posted up, to have their names published. I would like to see the transactions taking place in the open and not in a clandestine fashion where nobody knows what the relevant details of the contracts are. Even about the system that the Government has started of publishing people's incomes etc., at first I thought that it was in questionable taste, but from the sort of corruption and nepotism I see today in which the entire country has been shrouded, I think it is a very good idea. We must have public exposure of those who evade and break the law. But then there must be a certain rationality about the law itself. There must be some reasonableness about the law; the law must be such that people like to obey it. After all, the way the tax structure is at present fixed, no man in the country who works or has the capacity to work will want to work. This is the sort of society that they have created.

I have said this once before. All that we have managed to create after 25 years of Independence as a value for our society is the value of

being poor. With the language tussle and the educational tussle that have been going on, we have now added another dimension to the values that we have created for our country—the value of being ignorant—so that if you are poor and ignorant, you can inherit this country. But if you are hard-working, if you are talented, if you have skill, if you have entrepreneurship, if you have any capacity, this country is no fit place for you to live in. These are the values that we have created after 25 years of self-government.

When I hear discussions on Bills, reports and Commissions, all the time evading the basic issues and going round and round on the periphery, trying to get a little bit here and a little bit there, trying to gain political leverage out of a situation, I get angry, when what you want is to clean up society, and when I find my colleagues, whom you say I should treat with love and respect, getting up and defending this sort of things, it makes my blood boil.

It is with these words that I request that Government accept the Wanchoo Committee report *in toto* if it is serious about eradicating black money, and fiddle with it if it is not

18.10 hrs

BUSINESS ADVISORY COMMITTEE

SIXTEENTH REPORT

SHRI R. V. BADE (Khargone):
Sir, I beg to present the Sixteenth Report of the Business Advisory Committee

MOTION RE FINAL REPORT OF THE DIRECT TAXES ENQUIRY COMMITTEE—contd.

SHRI N. K. SANGHI (Jalore):
Sir, today we are discussing a very serious matter. We are considering the final report of the Direct Taxes Enquiry Committee which was laid on the Table of the House on the 20th March, 1972. It is a very important subject. The whole House is exercised over this matter, and every Mem-