

SHRI JYOTIRMOY BOSU: Where is the time now? Kindly extend the session by one more day.

MR. SPEAKER: After I have received it, I will have to see how far it will be desirable and how far it is within my discretion to allow the motion of reference to P.A.C.

SHRI JYOTIRMOY BOSU: With all that money, they are proceeding to do more mischief (*Interruptions*).

MR. SPEAKER: Order, order. Kindly sit down.

श्री हुकम चंद कछवाय : आप निर्णय कब तक सुनायेंगे अध्यक्ष महोदय, आज सुना देंगे ?

अध्यक्ष महोदय : नहीं, आज नहीं ।

SHRI JYOTIRMOY BOSU: We will be failing in our duty

MR. SPEAKER: You should not go on interrupting like this. Let me know how far I should go on tolerating it. Please sit down. The proper thing is to bring a motion. . . .

SHRI JYOTIRMOY BOSU: Where is the time?

MR. SPEAKER: Where was the time when we came to this week.

SHRI JYOTIRMOY BOSU: Are you extending the session by one more day? I have given a motion . . .

MR. SPEAKER: I will see the motion; I will examine it.

12.58 hrs.

MOTION RE. FINAL REPORT OF DIRECT TAXES ENQUIRY COMMITTEE

MR. SPEAKER: The House will now take up further consideration of the motion on the Final Report of the Direct Taxes Enquiry Committee. Shri Surendra Mohanty.

SHRI SURENDRA MOHANTY (Kendrapara): Mr. Speaker, Sir, it will be practically impossible to offer any meaningful comment or criticism on the recommendations of the Direct Taxes Enquiry Commit-

tee Report. The recommendations run into more than 300 in number. Therefore, I propose to confine myself to the interim report which the Direct Taxes Enquiry Committee submitted to the Government as late as in 1970. . . .

MR. SPEAKER: Shall we adjourn for lunch now?

SEVERAL HON. MEMBERS: Yes.

MR. SPEAKER: So we adjourn for lunch to re-assemble again at 2 O' Clock.

13 hrs.

The Lok Sabha adjourned for Lunch till Fourteen of the Clock

The Lok Sabha reassembled after Lunch at Four Minutes past Fourteen of the Clock.

[MR. DEPUTY SPEAKER in the Chair]

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

SHRI SURENDRA MOHANTY (Kendrapara): Mr. Deputy-Speaker, Sir, as I was saying before the House rose for Lunch, it will be unrealistic to dwell upon 300 or so of the recommendations of the Direct Taxes Enquiry Committee within the few minutes at my disposal. Therefore, I will mainly confine my remarks to the Interim Report of the Direct Taxes Enquiry Committee which has recommended, *inter alia*, (a) demonetisation, (b) ceiling on cash holdings, and (c) acquisition of immovable property, which comes under understatement of purchase considerations. The Government have implemented the last mentioned recommendation namely, acquisition of immovable property. But, as regards demonetisation and ceiling on cash holdings, the Government has deserved the full-throated cheers of the black-money sector for having scotched for all time to come the question of demonetisation of black money. The reasons are very obvious. Even the Direct Taxes Enquiry Committee report has stated at page 9 and has expressed scepticism about demonetisation in the following words:

SHRI SURENDRA MOHANTY:

"It has been represented before us that the political climate in India is none too conducive for checking black money transactions. . . . Rather, it is contended that it provides opportunities for generation of black money."

This is what has been stated, not by the Opposition Members, not by certain cantankerous members of this fraternity who always want to pick a hole in the Government, but it is mentioned by the Members of the Direct Taxes Enquiry Committee—that the political climate in India is none too conducive for suppression of black money.

In that context, with all humility, may I know from the Minister of Finance as to how this climate of this country which has certainly been surcharged by ultra-socialism, why it has not been found conducive for suppression of black money. Therefore, in that context, I am not surprised at all that Mr. Chavan or his colleague Mr. Ganesh would voluntarily rise up and say that demonetisation of black money is not a feasible proposition at all.

MR. DEPUTY-SPEAKER: Why demonetisation only of black money? . . . (Interruptions).

SHRI SURENDRA MOHANTY: That, the bankers will do, when you submit your forms and you disclose your source wherefrom you got those notes. Then only, black money and white money will be distinguished.

As I was saying, the Committee has very categorically mentioned that the political climate in India is not conducive. When it refers to the political climate, it does not refer to individuals like me who are independent members or to the truncated minority that is represented in this House. The political climate refers not to the Swatantra Party at all. It refers to the Congress Party which is to-day in the saddle of power . . . (Interruption) I charge there is no demonetisation because if there is demonetisation, black money will be disgorged out of the vaults of the Ministers and from their private holdings. There-

fore, I charge that this Government, to keep itself sustained in office and power and to manipulate the elections by the money-bags, they have not demonetised black money which is one of the important recommendations in the interim report of the Direct Taxes Enquiry Committee report.

I must say, I am not an expert, neither am I a financial expert nor a tax expert. But I take consolation from the fact that one eminent writer has defined an expert as a lamp post for the drunkards to lean against than to show the way in darkness . . . (Interruptions). I said I am not an expert; That means I am not a lamp post. Therefore, no drunkard can lean against me. I can show the way and, therefore, as I was saying, I am not an expert I will try to bring in the common man's point of view on this subject and common-sense being a commodity which is in great scarcity, I do not know if my submissions will appeal to the hon. Minister of Finance

The interim report had laid greater emphasis on this issue of black money than on any other recommendations. They had said this in their final report at page 2 Chapter I, paragraph 1.7 :

"Towards the end of 1970 we submitted an interim report to the Govt. recommending certain immediate measures for unearthing black money and countering tax evasion".

I emphasise the words—immediate measures. This was given in the year 1970. After two years, that is, in the year 1972, we came to know that there was something called interim report left in the cupboards of the powers that be. The committee reported as follows:

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

The Committee had recommended demonetisation to start from ten rupee currency notes. Out of spite, the Government has replied to this recommendation, by issuing twenty-rupee notes. Not only that, Sir. . . .

SHRI P K DEO (Kalahandi) Even those twenty-rupee notes are fast vanishing from the market

SHRI SURENDRA MOHANTY As my friend said, even those twenty rupee notes are fast vanishing from the market. On top of it the Government thought it fit to issue ten-rupee coins. All this adds up to further hoarding of the black money.

The Direct Taxes Enquiry Committee has stated that the quantum of black money would be of the order of Rs 7000 crores. Mr Salve poo-hooped the assessment and said, it cannot be Rs 7000 crores it is a figment of imagination. But Sir we have to very objectively analyse how the Committee has come to this determination of the quantum of black money.

MR DEPUTY-SPEAKER Your time is up. Kindly conclude.

SHRI SURENDRA MOHANTY Rs 7,000 crores are involved kindly give me three more minutes.

MR DEPUTY-SPEAKER Then, several thousand hours must be taken! (*Interruption*) Because several thousand crores are involved, several thousand hours must be taken, one second per thousand. We have exceeded the time you have exceeded the time the debate has exceeded its time now you must conclude.

SHRI SURENDRA MOHANTY I am a man who never exceeds the line of honour. Please give me three more minutes. Dr Kaldor in 1956 assessed that in this country the tax evasion was of the order of Rs 200-300 crores. How did he come to that assessment? He had taken as the basis the non-salaried sector, the taxable income and the actual income that is the income which has been taxed. The difference was taken to be the quantum of the tax evasion which ultimately gets converted into black money. On this basis the Direct Taxes Enquiry Committee had come to the conclusion that in the year 1970-71 the quantum of black money was of the order of Rs 7,000 crores. Going through the Direct Taxes Enquiry Committee Report I have worked out certain deleterious effects which

black money exercises over our economy. They are

- (1) Wealth tax gets dodged as transactions remain concealed.
- (2) As black money multiplies the area of artificial shortage grows.

I maintain that one of the most important contributory factors for the rise in price today is the increase in the amount of speculation which has been promoted by black money.

- (3) Illegal operations in black money have induced a considerable amount of leakage of foreign exchange through under-invoicing and over-invoicing of foreign trade deals.
- (4) Resources needed for development are not adequately forthcoming for the reason that business is carried on in the black.
- (5) It helps concentration of wealth in the hands of the unscrupulous few in the country.

The sixth is that cheap money is encouraging conspicuous consumption. You will find Sir that these five-star hotels, be it Ashoka or Akbar are not patronised by the foreign tourists in whose name these hotels have been put up but they are all being sustained today by the black money sector which is endangering the economy of our country. Seventhly the existence of black money has to a large extent been responsible for the inflationary pressures rise in prices and unhealthy speculation in commodities. Eighthly, it is encouraging large-scale smuggling of gold into this country, causing considerable strain on its already tight balance of payments position. Ninthly it is creating an oddity of the situation that a country whose *per capita* and more particularly foreign exchange resources are scarce becomes a lender of aid and capital to the economically advanced and wealthier nations with the concealed outflow of funds.

SHRI JYOTIRMOY BOSU (Diamond Harbour): Shah Wallace & Co.

SHRI SURENDRA MOHANTY: See the enormity of it. The enormity is this. I hope the hon. Minister will explain to us, because the whole country is interested in it; while we are in need of aid and of foreign exchange resources from foreign countries, India is a lender to countries which are in need of foreign exchange aid. Will he deny it? How does it happen? It happens only through the mechanism of black money. Lastly, black money is frustrating Government's policy of selective monetary control. Black money makes available alternative sources of credit to non-priority sectors on which credit squeeze is to be applied. These are the ten deleterious effects of black-money . . .

MR. DEPUTY-SPEAKER: That was his last point. It does not need much explanation. He has made his last point. Now, let him please take his seat.

SHRI SURENDRA MOHANTY: I am concluding. In conclusion I would say that it is not a partisan issue; it is an economic issue which vitally affects the well-being and the future of our country. In that context, I would request the hon. Minister not to give a monosyllabic reply that Government are not disposed to unearth black money . . .

Mr. DEPUTY-SPEAKER: He can be sure that it will not be monosyllabic but it will be polysyllabic.

SHRI SURENDRA MOHANTY: But I would like to know from him particularly what he has to say about the ten deleterious effects which I have just now enumerated, and how he is going to suppress them without unearthing black money and without demonetisation. He owes an answer to this House and to the country why in the face of the recommendations to demonetise even Rs. 10-notes, Government were in a hurry to issue Rs. 20-notes and how those notes have vanished.

PROF. MADHU DANDAVATE
rose—

MR. DEPUTY-SPEAKER. Does he want to speak?

PROF. MADHU DANDAVATE (Rajapur): Yes.

MR. DEPUTY-SPEAKER: But he can have only two minutes.

PROF. MADHU DANDAVATE: I shall try my best.

SHRI JYOTIRMOY BOSU: Two minutes for Rs. 7,000 crores.

PROF. MADHU DANDAVATE: Since I have very little time at my disposal rather than cursorily touch various aspects of this report, I shall only touch that aspect of the recommendations, which deals with tax evasion and black money, because that is a very important aspect of the report, and many suggestions on that are actually discussed or will have to be implemented or in many cases will have to be improved upon.

For a number of years, we were trying to discuss the problem of black money and tax evasion only in abstract terms. No doubt, Prof. Kaldor had made a certain tax-evasion estimate of Rs. 200 to Rs. 300 crores. But for the first time, in a very scientific manner, the dimensions of black money have been revealed by this report, and it has been made explicitly clear that as far as tax evasion is concerned, calculating for 1968-69 on the basis of assessment and the actual assessable income, it has been found out that for the year 1968-69, the income-tax evaded is of the order of Rs. 470 crores. Almost on the same lines it has been found that the money value of deals involving black money can be estimated at nothing less than Rs. 7,000 crores. A certain analysis has been offered by the Wanchoo Committee's report, and on the basis of evidence that was led by industrialists as well as trade unionists and economic experts, from their point of view, the causes of tax evasion and black money can be traced to a number of factors.

First, they have cited the high rates of taxation under the direct tax laws; secondly, the economy of

shortages and consequent controls and licences (especially after the second world war); thirdly, donations to political parties, fourthly, corrupt business practices (secret commissions, bribes and *pugrees*) fifthly, ceiling on and disallowances of business expenses; sixthly, high rates of sales tax and other levy, seventhly, ineffective enforcement of tax laws, and lastly, many experts have said that the falling moral standards in our public life and also in business transactions are not less responsible for this malady

If these are the causes—I do not agree with all of them—it would be better to concretise some of them. They have referred to the funds contributed by the industrial houses to political parties. I do not want to spell out the details, because on one occasion, I brought forward concrete facts and also threw a challenge that I can produce tape recorded evidence, and if a judicial probe is undertaken, I will be able to put before it facts and figures to indicate how much amount was drawn in the last elections for the election funds by the ruling Congress party through every industrial house, amounts upto Rs 25 lakhs from every industrial house. I had concretely indicated that in the case of the Asian Cables licences for 1,000 tonnes of polythene were given and actually they were sold in the black market. These are the shady deals indulged in as a result of which you will find that black money is there

As far as the report is concerned, no doubt they have made three concrete suggestions. One is demonetisation, second, a ceiling on cash holdings and third, acquisition of immovable property in cases of under-statement of purchase consideration. But the question is why are these measures not being undertaken by Government, and when they are undertaken by Government, why is it that fail? It is not that the device of demonetisation cannot produce any effect at all. Take, for instance, the experience of Belgium. In Belgium, as a result of the withdrawal of notes of 100,

500, 1000 and 10,000 francs in October 1944, circulation of currency contracted from 164 million francs to 574 million francs by the end of 1944. They introduced the measure in October and by December they were able to produce results, because they had a mind to bring about the best possible results by demonetisation.

We always say—and some experts always repeat the argument—that in our country, the experiment of demonetisation was tried in 1946 and because that experiment in 1946 failed, probably this recommendation of the Wanchoo Committee need not be taken seriously because it is again bound to fail. Therefore, it is very necessary to find out why is it that in 1946 the experiment of demonetisation did not produce much result. Demonetisation failed in 1946 because the notes demonetised were of the value of Rs 143.97 crores only as against the total notes issued of the value of Rs 1,235.93 crores. So look at the proportion between the two Notes of the denomination of Rs 100 and Rs. 10, which were of the order of 41.2 per cent and 35.3 per cent respectively were left untouched. Therefore, even if in the future, if they try to undertake this device of demonetisation, if they tinker with the problem as was done in 1946 when results were not produced, it is very likely that this time also results will not be available.

Therefore, it is very necessary that along with demonetisation certain other measures must be undertaken. For instance, if we look at the manner in which taxes are being evaded it is not sufficient merely to say that if you have more of taxes, there will be more scope for evasion, if there is more tax, the machinery becomes more complicated, if you have more of licences and more controls, there is more room for bribery and corruption. This is the stock argument put forward by every industrialist and big industrial house. On the contrary, you will find that even after having these taxes, if there is

[Prof. Madhu Dandavate]

a rationalisation of the taxation machinery, it would be possible for us to have better recovery of tax arrears. For instance, today one of the basic maladies of our tax recovery structure is that the entire machinery is so complicated—it is a multi-point machinery—that there are various levels at which bribery and corruption can be indulged in. Today I will not be making any exaggeration if I say that if the representative of an industrial house comes to Delhi and if he wants to secure certain licence, except that on the secretariat boards it is not written that this is the rate of corruption and this is the rate of bribery, everything is understood. Conventionally, these rates have been fixed up. I am making this argument on the basis of the information that has been given by a number of businessmen, and when I talked to some of them and asked why is it that some people should not make a beginning for themselves and say, "We will not indulge in this corruption and bribery", they say that when they try to follow the clean methods they have to stand in the queue for a longer time, and thereby suffer in business. Those who believe in the efficiency of business have to take it for granted that bribery and corruption in this capital of India is supposed to be a part and parcel of their overhead expenditure, and the establishment charges are inevitable and they take it for granted, and then they work up their profit. Accordingly, they try to fix up the prices for their commodities. That is how the entire thing is happening.

Therefore, in conclusion, I would say that in addition to the various reforms that are necessary, it is extremely necessary that we streamline the entire machinery of tax recovery, and if that is done, I have not the least doubt that these tremendous arrears can be recovered.

My conclusion is that the recovery of tax arrears is necessary even for the developmental activities in this country. The other day, when many

of us coming from the working class movement referred to the problem of bonus, the significant argument that was given by the Labour Minister, and that was always given by the Finance Minister was, if 8.33 per cent bonus is to be given to all categories, in that case, from where the resources are to be brought, and from where we can arrange for Rs. 250 crores. And there, I feel if you take the recommendations of the Wanchoo Committee into account and try to rationalise and streamline the recovery machinery, it should be possible for us to have a massive mobilisation of the resources in the country, and many demands of the working class and agricultural labour can be met.

These are my conclusions.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI K. R. GANESH): Sir, I am grateful to the hon. Members who have taken part in this debate. This debate has given an opportunity to the Government to find out the views of this hon. House as also of the other House. From the time the report of the Wanchoo Committee was laid on the Table of the House and thus made public. . .

SHRI JYOTIRMOY BOSU: Which one are you talking of?

SHRI K. R. GANESH: The Government has been trying to consult public opinion through various measures. The House is aware that a seminar of economists was held in which leading economists of the country participated for two days and gave their views and their observations on the various recommendations of the Wanchoo Committee. The fifth and the sixth meetings of the Consultative Committee of the Finance Ministry were devoted exclusively for the discussion of the various recommendations of the Wanchoo Committee. Various other private seminars of various organisations like the Chartered Accountants, Chambers of Commerce, have been held. Their views are also available to the Government and now, finally, both the Houses of Parliament have discussed this question

and the views of the hon. Members will be very useful for the Government to make up its mind and take decisions on the various recommendations on the Committee's report.

Before I go into some points that have been raised, it is necessary for me to point out some of the salient features of the Wanchoo Committee's recommendations. As the House is aware, the final report was submitted to the Government on the 24th December, 1971. In the Finance Act of 1972, some of those recommendations have been already implemented, like the tightening of the provisions relating to the exemption of the income or wealth of charitable or religious trusts; then, enabling the Central Government to enter into the tax treaties with foreign countries with a view to tax avoidance and evasion, and taxation of casual and non-recurring income including winnings from lotteries, crosswords, etc.; then, raising the rate of interest chargeable from assesses and also payable by the assesses to the Government under the provisions of direct taxation laws from nine to 12 per cent deduction of tax at source from payment in respect of lotteries, crosswords puzzles and deduction of tax at source at two per cent out of payment to contractors by the Central or State Government, discontinuance of tax concessions granted in respect of income from specified priority industries and withdrawal of exemption in respect of income from dividends received from co-operative societies. Some of the recommendations of the Wanchoo Committee have already been implemented by the Finance Act.

The report contains about 396 recommendations out of which if accepted by the Government, will require legislative action. To process the whole number of recommendations of the Wanchoo Committee a cell was constituted and this cell is expeditiously processing these recommendations. From the cell they go to the committee of Secretaries and then they are sent to the

Finance Minister. Then they are sent to the various Ministries with which these recommendations have got some connection and also to the Law Ministry which will have to bear the main brunt because the vast majority of the recommendations will require legislative action. It is the intention of the Finance Ministry and we are expeditiously processing those recommendations. Such of those recommendations accepted by the Government will be brought in the form of comprehensive legislation and at the time when such comprehensive legislation is brought forward the Government will take the opportunity of introducing some other important changes that are necessary in view of the socio-economic conditions in the country. We would have fulfilled an assurance to the Lok Sabha the other day that it is our intention to expeditiously finalise the decision of the Government and if we could process it early, during the next session we could bring this comprehensive legislation so that major recommendations of the Wanchoo Committee could become law.

SHRI JYOTIRMOY BOSU:
Which one?

SHRI K. R. GANESH: It is childish.

SHRI JYOTIRMOY BOSU: I take exception to this . . . (*Interruptions*).

SHRI K. R. GANESH: He can go on saying anything, go on interrupting anybody, not accepting anything that is said . . . (*Interruptions*). If he is so touchy, I withdraw that particular word. We are involved in a serious discussion . . . (*Interruptions*). You have not had experience of going through the mill of a serious political party; you have just been catapulated . . .

SHRI JYOTIRMOY BOSU: This arrogant Minister is too big for votes. A little knowledge is dangerous; he is the example. You better hold your tongue.

SHRI K. R. GANESH: I shall neglect what my hon. friend has said and I would place before the

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House some of the very important recommendations of the Wanchoo Committee to which the Government will have to give very serious consideration.

SHRI JYOTIRMOY BOSU: On a point of order. I asked a specific question. Which one is he talking about? The interim report has been laid on the Table of the House.

Will you kindly ask him to sit down? He should know manners.

SHRI K. R. GANESH: He should know how to behave; you should ask him to learn to behave. I have not yielded and I am continuing my submission.

SHRI JYOTIRMOY BOSU: On a point of order.

SHRI K. R. GANESH: Everything is a point of order.

SHRI JYOTIRMOY BOSU: There are two reports before the House, one the interim report laid on the Table of the House which the Finance Ministry has had seven or ten days to examine, sent by the Lok Sabha and the final report, as I maintain, written under duress.

MR. DEPUTY-SPEAKER: What is the point of order?

SHRI JYOTIRMOY BOSU: When he refers to the report, which report is he talking about? We want to know.

SHRI K. R. GANESH: This motion says:

"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."

SHRI SURENDRA MOHANTY: The interim report is embedded in the final report.

MR. DEPUTY-SPEAKER: That is his reply.

SHRI K. R. GANESH: Some of the salient recommendations of the Wanchoo Committee are: The in-

roduction of any general scheme of disclosure either now or in future should be strongly opposed. The power of search under the Income-tax Act is a potent instrument and the income-tax department should use this as deterrently as they should be capable of. They have also recommended about controls leading to some of the malpractices, leading to black money. They have also recommended that steps should be taken to create confidence among small tax-payers. They have recommended that the department should completely reorient itself to a more rigorous prosecution policy in order to instil fear and wholesome respect for the tax laws in the minds of tax-evaders. The intelligence machinery should be thoroughly overhauled so that it may be able to tackle this problem. Agricultural income-tax, which is at present outside the central tax net affords plenty of scope for camouflaging black money—this is now before the K. N. Raj Committee. They have also recommended that statutory provisions should be made for compulsory maintenance and audit of accounts above certain limits of income-tax turn-overs. They have recommended that credit facilities by banks should be denied to tax-evaders. Steps should be taken to arouse social conscience against tax evasion. Tax-evaders should be disqualified for getting national awards and for holding public elective offices or becoming Directors of companies for a period of years. About tax avoidance, they have made a number of wholesome recommendations. On the question of tax arrears, they have made various recommendations. They have said that a high-powered body should be set up to consider exclusively and decide cases of write-off of tax arrears.

In connection with tax administration, they have recommended that the status of the Direct Taxes Board should be raised. They have also made recommendations about various other matters pertaining to the actual working of the income-tax department.

These are some of the more important recommendations of the Wanchoo Committee. As I said earlier, these are being processed and will be processed within the framework of the socio-economic objectives of the country and the experiences that we have gained in the process of working of the various direct taxes laws.

SHRI JYOTIRMOY BOSU: On a point of order, Sir. I have submitted that the reply to this debate as stated in the List of Business, has to include the interim report, because of the statement that has been made in the final report which says:

“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 in the interim report.”

So, the interim report is part and parcel of the final report. If the minister chooses to evade that part of the question, we shall understand what he has in mind.

MR. DEPUTY-SPEAKER: There is no point of order in that.

SHRI K. R. GANESH: Sir, it is not the case of Government that there is no black money. The very fact that the Wanchoo Committee was set up, which was a high-powered body presided over by a former Chief Justice of the Supreme Court and other eminent persons, was positive proof of the concern of Government about this menace of black money.

On that there is no difference of opinion between hon. Members on that side and this side of the House. The question is what steps are taking, what integrated policy we are adopting, with a view to see that this menace is stopped. There is no doubt that black money is playing havoc with our economy, with our social life and it is giving an inverted picture of the entire situation in the country. There is no doubt that

price rise is consequent on the free use of black money. There is no doubt that ostentatious living and conspicuous consumption are due to black money. The only difference of opinion can be about its extent but not about its existence. When there is such a large amount in unauthorised channel, a sort of parallel economy, it will have its impact on various facets of our life.

The Wanchoo Committee themselves, after arguing the money value of deals involving black money, stated that this may not be less than Rs. 7,000 crores in 1968-69. On this basis, the extent of the income-tax evaded during 1968-69 would be of the order of Rs. 470 crores. After this they have said:

“We would, however, wish to emphasize that the amount of tax evaded income for the year 1968-69 is only a guesstimate based on certain assumptions about which substantial difference of opinion exists for want of adequate data . . .”

When the Kaldor Report was there, there was difference of opinion between the estimates of Kaldor and that of the Central Board of Direct Taxes. The Direct Taxes Administration Enquiry Committee have said:

“The quantum of tax evasion, though undoubtedly high, was not of the magnitude indicated by Prof. Kaldor.”

My object in quoting all this is not to minimise the menace of black money but to show that there is difference of opinion about its extent. Unless we have a proper estimate of its extent we will not be able to think of a solution to the problem. The report further says:

“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

[Shri K. R. Ganesh]

assets or spent away in consumption or else is in circulation in undisclosed business dealings."

The origin of black money is not from the start of Congress rule. It dates back to the second world war when there was a spurt in business, a spurt in construction work and there was also hoarding anticipating shortage of commodities and these resulted in people amassing wealth. In the hon. Member's own province nearly three million people died due to want of food when in fact food was available because there was hoarding. The generation of black-money started right from that time and it is a continuous process. Then, as the Wanchoo Committee rightly says, every plan and planned development has its own distortion. As it happened in our country, it has happened in other countries including Socialist countries, though to a much lesser extent. When planned development takes place greater opportunities are created. The anti-social elements use controls to amass wealth. The opportunities created by planned development are also used by some unscrupulous businessmen for tax evasion.

So, the origin the extent the magnitude and the ramifications of the black money are known. But the opposition is trying to reduce it to the rule of thumb saying that it is all due to the Congress Party being in power. It is true that black money has grown in ramifications. It has grown as the taxes have grown. It is a serious problem for national concern. But it has to be viewed realistically and objectively. It cannot be reduced to a political criticism that the Congress Party is taking money from business houses and so black-money has come.

During the last 6-7 years, from 1967 onwards, the Indian people have gone through a very rich political experience. When I say this, let not the hon. Members become angry. The criticism about Congress party having dealings with big business has been there for the last 20 years. That

criticism has been there. I am trying to meet that criticism. Let me place squarely before this House, I personally consider it a tragedy of the Indian political life that the C.P.M. Government in Kerala fell on charges of corruption . . .

SHRI JYOTIRMOY BOSU: Don't be ridiculous.

SHRI K. R. GANESH: It is a fact . . .

SHRI JYOTIRMOY BOSU: It is not a fact . . .

SHRI K. R. GANESH: It is a fact that the C.P.M. Government in Kerala . . .

SHRI JYOTIRMOY BOSU: On the floor of Parliament I cannot call him a liar. Otherwise, I could have called him a liar.

SHRI K. R. GANESH: Let the hon. Member have a sportsmanship spirit.

It is a fact of contemporary Indian political life, a very regrettable fact, that the C.P.M. led Government in Kerala fell on charges of corruption against their Ministers. This is the extent of malady with which we are trying to deal. The Indian people during the last 7 years have also seen other Governments. Now, the hon. Member from Orissa, a very eloquent speaker, a very fine speaker, a very learned person—he is not a lamp-post; he is not an expert—accused the Congress party for this thing. His party had an alliance with Swatantra party there . . .

SHRI P. K. DEO: On a point of order, Sir.

MR. DEPUTY-SPEAKER: There is no point of order.

SHRI P. K. DEO: My point of order is, to prove their *bona fides*, why not the Congress (R) Government proceed on the Sarjoo Prasad Commission's report which is a clear verdict of corruption against Shri Hare Krishna Mehtab.

MR. DEPUTY-SPEAKER: There is no point of order.

SHRI SURENDRA MOHANTY: On a point of order, Sir.

MR. DEPUTY-SPEAKER: There is no point of order. Before I listen to you, let me say, you have made so many charges against this side of the House. Now, when they make some attack on you, you should be able to take it. The moment some charge is made against you, you start shooting up. When this side of the House attacks you, you say, it is a point of order. When you attack this side of the House, there is no point of order.

SHRI SURENDRA MOHANTY: I am not afraid of charges or attacks. Let him say, my party has taken black money. I have no objection to that. But my association with a particular party which is recognised by the Election Commission and by the Government does not *ipso facto* prove that I am a party to that.

MR. DEPUTY-SPEAKER: He never said so. There is no point of order. The Minister never said that.

SHRI JYOTIRMOY BOSU: On a point of order, Sir.

MR. DEPUTY-SPEAKER: What is the point of order?

SHRI JYOTIRMOY BOSU: It is under rule 376. The hon. Minister is misleading the House. He talked about Kerala Ministry . . . (*Interruptions*).

MR. DEPUTY-SPEAKER: Order, please. What you have said has gone on record. There is no point of order.

SHRI R. S. PANDEY (Rajnandgaon): Just a submission.

MR. DEPUTY-SPEAKER: What submission? The Minister is making a speech.

SHRI R. S. PANDEY: I want to put a question.

MR. DEPUTY-SPEAKER: No question now.

SHRI R. S. PANDEY: Should I rise on a point of order?

SHRI K. R. GANESH: Sir, I was only trying to submit that since the problem is of such magnitude, its ramifications are so vast, a large number of evil social forces are involved in it, we will not be able to tackle this problem by just reducing

it to a problem of the Congress party . . . (*Interruptions*). That is why I gave those instances. Of course, sometimes, the truth is very bitter. The hon. Members do not like it. But the fact is that this is the actual reality of the objective situation in which we are living. I may also submit that the Congress Party, which has been the ruling Party for the last two decades or more, whenever there were charges, had the integrity to set up inquiry commissions against Chief Ministers; any number of names can be given, any number of names of Cabinet Ministers can be given where inquiry commissions were set up; the inquiry commissions' reports have been there. Very eminent persons of Congress Party had to lose their positions because certain norms were followed. I have to defend the Party because all the charges have been levelled as if the problem of black money can be reduced to the problem that the Congress Party is alleged to be interested in black money.

SHRI JYOTIRMOY BOSU: You are a glorious set of people!

SHRI K. R. GANESH: Nor are you; it is a tragedy.

The hon. Member had spoken about the Interim Report. There is nothing secret about the Interim Report. In this House itself we have said this a number of times. Even before the final report was placed before the House, we have answered questions in Lok Sabha and Rajya Sabha.

With your permission I would like to read out the answer given in the Rajya Sabha to Starred Question No. 326 on 3rd August, 1971:

"One of the recommendations in the Interim Report of the Direct Taxes Inquiry Committee is that the Income-tax Act should be amended to empower the Central Government to acquire immovable properties which are the subject matter of transfer at prices which correspond to those disclosed in the instrument of transfer. Government have accepted this recommendation. A Bill to amend the Income-tax Act for this purpose is expected to be introduced in the current ses-

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sion of the Lok Sabha. The other recommendation concerns demonetisation and related matters. On these no action is contemplated”.

In Lok Sabha, in reply to Unstarred Question No. 851, on 4th August 1972 we had stated:

“The Government do not consider that demonetisation of currency notes provides the answer to the problem of black money”

So, there is no question of the Interim Report being made a secret. There is nothing secret about that. The fact is that there was an Interim Report. It has been stated in the House that there has been an interim report. The hon. Member may not agree with the decisions that Government have taken on some of the recommendations of the Interim Report which have been very frankly stated. We have said that we do not consider that demonetisation provides the solution to the problem of black money. Government have reasons for it and that is why Government have not accepted this recommendation. There is no question of making a James Bond story about it—that the interim report was not shown, the interim report was not mentioned. It is a fact that there has been an interim report about which the House has been informed. Government had informed its decisions even before the final report was taken. Government has informed their decision that they were not thinking of accepting that recommendation as far as demonetisation was concerned.

I would also like to answer the hon. Member .

SHRI P. K. DEO: Will he say that the interim report revealed by Mr. Bosu is the real interim report to which he is referring?

SHRI K. R. GANESH: The hon. Member has also said . . .

SHRI P. K. DEO: My question has not been answered—whether the Minister accepts the authenticity of the interim report placed by Mr. Bosu on the Table of the House the other day.

SHRI K. R. GANESH: Hon. Member, Mr. Jyotirmoy Bosu, also said that . . .

SHRI P. K. DEO: What about my question?

MR. DEPUTY-SPEAKER: He has heard your question. It is up to him. (Interruptions).

SHRI K. R. GANESH: He had said that this report was also written under duress. These were his exact words.

SHRI JYOTIRMOY BOSU: Yes.

SHRI K. R. GANESH: The hon. Member, while praising the Wanchoo Committee for the interim report goes on to say that this report was written under duress. Sir, this is a very grave and irresponsible accusation against a very high powered committee. I am using very strong words because the kind of accusation that he has made requires these strong words. His object is to destroy the credibility and the image of every democratic institution that we have set up in this country. Once he does that, then only he will be able to pursue the kind of politics that he wants to pursue. (Interruptions)

If politics are so, during the last 3-4 years (Interruptions) right from the time his Party came to power (Interruptions) if that is the standard to which the hon. Member can reduce himself when a serious debate is going on, I am not here (Interruptions). But I will try to do my job as conscientiously as possible. The political line that his party has been following has boomeranged and now his job is to see that even high-power committees set up whose interim report he accepts, whose interim report he praises, now he comes to say that this has been written under duress. Nothing can be farther from the truth. It is a report which has been written in all seriousness, by a committee which was presided over by a former Chief Justice of the Supreme Court and I do not think hon. Members are sharing this expression of the hon. Member, Mr. Jyotirmoy Bosu, that this was written under duress.

SHRI PILOO MODY (Godhra): People on your side also have been passing derogatory remarks . . .

SHRI K. R. GANESH: Not written under duress, if anything was said about the Supreme Court.

When it comes to the question of property, when it comes to the question of social justice, you become a defender of that and when it comes to a question like this . . .

SHRI PILOO MODY: I am not a defender. Only two minutes ago, the hon. Minister was claiming the virtue of defending the institutions of democracy and only two minutes later, he starts talking derogatorily about the Supreme Court.

SHRI K. R. GANESH: I did not do that . . . (Interruptions).

SHRI PILOO MODY: It was a very valid question my friend asked, over here—what are the institutions you are defending.

SHRI K. R. GANESH: Let me tell him that I have not uttered anything derogatory. I said only property. I use very precise words, words . . .

SHRI PILOO MODY: You followed it by saying 'social justice' also.

SHRI K. R. GANESH: I use very precise words. When property relations are involved, the hon. Member has one personality. When things like this are involved, he was another personality. Because it is the question of black money, and because he has lots of money, he thinks he can win the elections. Therefore, he thinks that everybody wins elections through black money as if black money alone can win the elections. Sir, it is the biggest insult to the Indian people, to the maturity of the Indian people

SHRI PILOO MODY: Not only has the Minister not replied to my speech on the subject . . .

SHRI K. R. GANESH: No running commentary, please . . .

MR. DEPUTY-SPEAKER: Order please. I would request this side of the House not to be so touchy . . .

SHRI PILOO MODY: I am not at all touchy. But let him say . . .

MR. DEPUTY-SPEAKER: Order, please. Please sit down. When he is saying something, you can intervene once or twice . . . (Interruptions). Order, please. I am replying to Mr. Piloo Mody. I am speaking with reference to you because you have stood up at least three times in the course of the last two to three minutes . . .

SHRI PILOO MODY: Only twice.

MR. DEPUTY-SPEAKER: What I am saying is: it is all within parliamentary practice that when a reference is made which Members do not like, they protest, they intervene for half a second or so. That goes on record. But that does not mean that at the end of every sentence that a member says, the other Member should stand up and protest. That is what I am saying.

Now, please continue.

SHRI PILOO MODY: May I continue, Sir?

MR. DEPUTY-SPEAKER: No, please.

SHRI P. K. DEO: He has not replied to the various points raised by this side.

SHRI JYOTIRMOY BOSU: What about Darbhanga bye-elections—Rs. 17 lakhs expenditure, I am told?

MR. DEPUTY-SPEAKER: Order, please. When a Minister speaks, I cannot tell him what he should say and what he should not say. He can reply. If there are certain points to which he does not reply, then you have got the satisfaction that he cannot reply to your point.

SHRI K. R. GANESH: I explained that the problem of black money is a problem of national concern and it is also a problem of immense magnitude with very extensive ramifications. To tackle it, an integrated approach is necessary. We are determined to push through a comprehensive legislation on this subject. Even before Wanchoo Committee recommendations were made public, the Government had taken various steps because there is a new climate in the country, there is a new awareness in the country, there is a new temper in the country and people expect us to

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implement the pledges and the mandate given by the people. And, even before this came about, the Direct Taxes Board had streamlined the organisation. It has taken various steps to see that maximum amount of revenue is collected. We have from time to time given figures to the House regarding the arrears of taxes which were collected from the year 1968 to 1972. They have reduced not arrears of taxes on 31-3-72 by Rs. 61 crores as compared to 31-3-71. Even in the last year itself Rs. 87 crores were collected as part of direct taxes, by way of realisation of tax arrears.

15 hrs.

Therefore, these various steps have been taken to make a frontal attack on the evil of tax evasion, tax-avoidance and black money. A cell has been set up which will go into the cases of such large houses. They indulge in very sophisticated tax planning and tax avoidance systems; it is not possible to go deeply into this unless there is a special machinery for this purpose and therefore, this particular cell will go into the matter in depth and take action. We have carried out various seizures. Various reports on that are within the knowledge of hon. Members. Various disclosures have been made and reports are given about which the House is aware. The ramifications of black money in the film industry right from the financier up to the laboratory have been unfolded by the Income-tax department and various other seizures have been made. Various other steps have been initiated. The Board has got necessary experience and expertise to tackle these problems.

The Taxation Laws Amendment legislation which has become a law will also help us in seeing that property under-estimated for a consideration will also be tackled properly.

SHRI B. P. MAURYA (Hapur): Political leaders' houses should be raided. (*Interruptions*) Income-tax Officers' and political leaders' houses should be raided. You have not done that.

SHRI K. R. GANESH: Whenever the raid is to be conducted, we ought

to have some facts. I would request the hon. Member to provide me with the necessary facts prior to raid being undertaken.

In conclusion, I would say this. This problem requires an integrated approach. There should not be a partisan approach. There are various legislations which have been brought up before the House for this very purpose. We will have the comprehensive legislation in the next session of the House. The Foreign Exchange (Amendment) Bill has already been introduced and this has been referred to a Select Committee. The Central Taxes Law will also be comprehensively changed and that will be brought before the House as soon as possible. There is also the amendment of the Central Sales Tax Law. All these are various instruments in the hands of the Government to tackle the problem of tax evasion. These instruments have got to be used properly, vigorously, with determination and with the consciousness that we have got to honour our commitment to the people. Not only should we put down the evil of tax evasion, but we should put through our various development programmes, if we have to make any impact on the various promises we have made.

It may be said that some of these instruments were in the hands of the Department itself. But I would answer by saying that there is a new awareness in the country, there is a new temper in this country. In this House itself, every day during the Question Hour, questions are put on the question of arrears and various other irregularities that might have been there. In this new atmosphere, in this new temper of the people, and being conscious of the fact that if we fail, we shall not be failing our party but we shall be failing the entire country and we shall be failing the entire people of our country who have given us this mandate, we are determined to use these instruments.

In conclusion, I would just say one other thing. In my own short experience as a Minister, I have found that this class which evades taxes and which has black money is a very cowardly class. If the instrument of prosecution and the instrument of

seizures are used in a vigorous and determined manner, I think we can make a tremendous impact

In this connection, the recommendations of the Law Commission are very useful, because they have recommended that these crimes should be treated as social and economic crimes and that some of the constitutional provisions should not apply to these crimes. With the legislations now on the anvil and with the new approach that the Law Commission is giving to the concept of social crimes and to the concept of dealing with the social criminals who are as anti-national and who are as anti-social as any ordinary criminal, and with the present temper of the country and the climate of the country, I hope we would be able to make a determined assault on this citadel of vice, on this citadel of filth and on this citadel of social abuse, and for this I seek the assistance and co-operation of all sections of the House.

MR DEPUTY-SPEAKER: Now, Shri Jyotirmoy Bosu

SHRI JYOTIRMOY BOSU: The hon. Minister has taken over 40 minutes

SHRI R S. PANDEY (Rajnandgaon): May I just ask one question of the hon. Minister?

A very inspiring speech has been delivered by the hon. Minister. He has given the impression to the House that a lot of havoc has been created by black money. Now, my hon. friend the Minister represents the Government; he is the Minister in the Ministry of Finance, and he knows the problem. May I know the basis of the Wanchoo Committee's statement that the amount involved is Rs 3,000 to Rs 4,000 crores? What does this gap of Rs 1,000 crores mean? May I know the basis for calculating this Rs 3,000 crores and Rs 4,000 crores?

Secondly, it is all right to have legislation. It is very easy to make legislation and the legislation will be introduced and passed also. But the question which is very paramount before the country and before the Government and before the people is how to implement it and get the fruit. The

prices are going up, as has been very correctly pointed out, and imbalances are there . . .

MR. DEPUTY-SPEAKER: Question please

SHRI R S. PANDEY: Black money has been created. It is a matter of demand and supply. On the one side, smuggling to the extent of crores of rupees is involved, and he has not been able to check this smuggling . . .

MR DEPUTY-SPEAKER: What is his question?

SHRI R S. PANDEY: The question is this. Who is going to implement it? Can the hon. Minister take the House into confidence and say that there is going to be a time-bound programme and that by the end of 1974, that is, within two years from now, we are going to see that black money does not exist in this very country and in this very society. Some sort of assurance on those lines is very essential in order to see that we remedy the situation, and we are no longer in this situation.

MR DEPUTY-SPEAKER: This is the difficulty

SOME HON MEMBERS *rose*

MR DEPUTY-SPEAKER: Whenever the Chair wants to be a little accommodating, it falls into trouble. Shri Jyotirmoy Bosu has to reply to the debate. The hon. Minister has spoken. Since Shri R. S. Pandey was so eager, I thought I could be a little accommodating, and so, I had allowed him. But now I find that three or four other Members are standing

SHRI B P MAURYA: This is the problem with every charming person.

SHRI BHAGWATA JHA AZAD (Bhagalpur): Without any introduction, may I put my question straight?

MR. DEPUTY-SPEAKER: I cannot discriminate, but I see only four more Members standing. If the other Members agree, I shall allow them. I see only four more Members standing up, namely Shri Bhagwat Jha Azad, Shri Shyamnandan Mishra, Shri S M Banerjee and Shri N K. Sanghi.

If more stand up, then I will not be able to accommodate them

AN HON. MEMBER: Half a question.

MR. DEPUTY-SPEAKER: No please. If you all agree, if there is this gentleman's agreement . . .

SOME HON. MEMBERS: Yes, yes.

MR. DEPUTY-SPEAKER: . . . then we can have it. This is because of my weakness in accommodating them. Only four I will allow; otherwise, I will not allow them.

SHRI B. P. MAURYA: Half a question.

MR. DEPUTY-SPEAKER: No please. If you do not agree to confine only to these four then I will not allow them because it becomes very difficult; the whole thing becomes another debate within a debate.

SHRI B. P. MAURYA: Make it five.

MR. DEPUTY-SPEAKER: No, no. Shri Banerjee. Not a speech please.

SHRI S. M. BANERJEE (Kanpur): If have followed the hon. Minister correctly, he said Government is not in a position to announce demonetisation immediately, for reasons better known to them. On the other hand, the hon. Minister said that Government would like to introduce legislation . . .

MR. DEPUTY-SPEAKER: Question?

SHRI S. M. BANERJEE: . . . to check black money. In the meantime, what concrete steps will be taken by Government to see that black money is not converted into white money?

SHRI BHAGWAT JHA AZAD: While appreciating the hon. Minister's remark that these people should be treated like ordinary criminals, are the laws now on the statute book not enough to get hold of these culprits? If they are not, do Government propose to bring new legislation? Or is Government helpless in this? What are the reasons for not bringing them to book even though in spite of the nice sentiments expressed by the hon. Minister?

SHRI SHYAMNANDAN MISHRA (Begusarai): The hon. Minister was pleased to say that if the instruments

of seizure and prosecution were used with determination, this evil of black money could be eradicated. Firstly, I want to know whether these instruments are to be wielded by the Opposition or by the Chair. These instruments have to be wielded by the Government itself. Why has Government not wielded these instruments in the past? Why is it that it is not wielding these instruments at present? And what does it propose to do about it?

SHRI N. K. SANGHI (Jalore): From statements and replies to questions in this House from time to time, we know that there is a large amount of arrears and most of these cases are long pending in the High Courts and the Supreme Court. May I know if something is going to be devised to see that the High Courts and the Supreme Courts decide tax matters on a very top priority basis so that unnecessary delay is avoided and evasion of tax is checked or checked? reduced?

श्री बी० पी० मौर्य : जब से वांचू कमीशन बैठा है, उसके बाद बीच में इन्टैरिम रिपोर्ट आई उस के बाद फाइनल रिपोर्ट आई और फिर आज इस सदन में चर्चा हो रही है। मैं जानना चाहता हूँ कि इस दौरान काला धन बढ़ा है या घटा है? अगर बढ़ा है तो उसके आंकड़े सरकार किस प्रकार निकालती है और यदि घटा है तो उसके आंकड़े सरकार किस प्रकार निकालती है ?

SHRI K. R. GANESH: In reply to Shri Banerjee's first question, I say that I have already indicated that vigorous steps have already been taken. Apart from the recommendations of the Wanchoo Committee, vigorous steps have been taken by us. The entire Direct Taxes Board organisation has been streamlined. Tax recovery has been made a part of the job of the Department and not of the State Governments, as it was formerly. More and more recourse is taken to seizure and prosecutions. That is why arrears have been reduced, about which I have given figures from time to time.

Shri Azad asked about the inadequacy of laws. I would only give him some facts. The number of writs

pending under art. 226 as on 31-3-72 was 3,067. The number of writs disposed of during the period of 1-10-71 to 31-3-72 was 1,514.

Now, these are some of the difficulties because of the system we have; because of the fundamental guarantees which the assesseees have got under article 226 and so on, it is possible for the richer assesseees to go to the high courts and at every stage of assessment, they go on contesting this, at the stage of the Appellate Assistant Commissioner, and then at the tribunal, and then, they go to the high courts on a question of law, and over and above this, they use even article 226. This is one aspect of the matter. Like that, we have cases pending in various courts.

About the question of the attitude of the courts to prosecution, it has been our experience that courts have been taking a very lenient view as far as these crimes are concerned. Even in cases where lakhs have been involved, either of evasion or avoidance of various forms, the persons have been very lightly let off, and in this regard, the recommendations of the Law Commission to deal with social crimes, and to have special courts, when acceptable to the Government, will go a long way in strengthening the hands of the instrument which we have and then to see that a vigorous drive of assessment and prosecution is carried out with determination, and whatever legal channels we have got they will be employed and the loopholes plugged.

The hon. Member mentioned, while the Opposition was not in power and the Government has been in power. He has not been in this chair. I have tried to give these facts, and we have been making very earnest attempts during the last couple of years to see that arrears are reduced and to see that the various rackets like the lotteries, architects in Delhi, like the question of Hundi rackets, the question of verification of the cinema industry—all these.... (Interruptions). We caught some architects. (Interruptions).

AN HON. MEMBER: Pilo Mody.

SHRI K. R. GANESH: Valuers; I am sorry. So, in recent days there has been a determination in this regard. The only answer which I would like to give to Mr. Shyamnandan Mishra is, he has been out of power only for the last two or three years, during the last two or three years when his party was defeated, and he was so much in power before, and his politics is the *status quo*. (Interruptions) His politics is *status quo*.

SHRI SHYAMNANDAN MISHRA: Sir, a point of order. He must judge this question on merits. This kind of harangue is no good. That is my point of order. I had asked a definite question. I cannot put up with a harangue of this kind.

SHRI K. R. GANESH: You are not made of something different. If I can listen to your harangue, I can also harangue. We have to learn harangue from there.

SHRI SHYAMNANDAN MISHRA: I seek your protection, Sir.

SHRI K. R. GANESH: You are not a privileged person. Have thick skin (Interruptions).

MR. DEPUTY-SPEAKER: The only answer is that the Members are free to draw their own conclusions from the harangue.

SHRI K. R. GANESH: About the hon. Member Shri Sanghi's question about high courts and the Supreme Court, I have already mentioned about it, that it is a difficult problem which we have.

SHRI VASANT SATHE (Akola): Separate Bench; courts.

SHRI K. R. GANESH: That is the recommendation of the Wanchoo Committee, and when the Government accepts it, it will go a long way. I think, to solve this problem.

श्री बी० पी० मोर्य : वांचू कमीशन जब से बैठा है, उसके बाद बीच में इन्टरिम रिपोर्ट आई, उसके बाद फाइनल रिपोर्ट आई और फिर आज इस सदन में बर्चा हो रही है। मैं जानना चाहता हूँ कि इस दौरान में काला धन बढ़ा है या घटा है? अगर बढ़ा है तो उस को आंकड़े किन प्रकार

[श्री बी०पी० मौर्य]

सरकार निकालती हे घोर यदि बटा है तो उसके आकड़े किस प्रकार निकालती है ?

MR. DEPUTY-SPEAKER. He has followed you That is clear now.

SHRI K R GANESH: It is difficult to answer that question. All that I can say is that the improvement in the collection, in the realisation of tax arrears, the various seizures made, various prosecutions launched—by all this an impact has been created which will in its own way directly and indirectly affect the question of black money and tax evasion

SHRI JYOTIRMOY BOSU. Sir, you will appreciate that have to meet the points that took no less than several hours

MR. DEPUTY-SPEAKER. You can meet the points, only you cannot respect what you said on the last occasion

SHRI JYOTIRMOY BOSU I never do

MR. DEPUTY-SPEAKER. You will not.

SHRI JYOTIRMOY BOSU As provided for under rule 358(3) the hon Minister may choose to reply again to my queries

I am rather surprised that the Finance Minister, although in town, had chosen to remain away. But as I have heard from these telephone calls, he has been prevented from facing the House on the issue of the Wanchoo Commission

SHRI K. R. GANESH: Please permit me, Sir, to record my protest against this accusation It is not correct.

SHRI JYOTIRMOY BOSU: May I go a little further arising out of what the hon Minister has said? On Saturday Mr Raj Bahadur came rushing to me, saying: I would like you to take up Wanchoo Committee report today. I agreed. I got my air ticket cancelled. Then came the Deputy Chief Whip rusing in saying, no, it cannot be done; Mr Ganesh has gone to Madras. I said: what about Mr Chavan? He

said: No, he cannot do this . . . (Interruptions)

SHRI K R. GANESH. Be honest, you know it is not correct, he did not say so (Interruptions)

SHRI R. S. PANDEY: Mr. Y. B. Chavan is dealing with important questions of black money. He is dealing with this matter in the House here. What does it matter whether Mr Chavan is here or not?

SHRI JYOTIRMOY BOSU. Today, I must confess, that on the pretext of making an appointment with Mr Chavan I just now phoned up to make sure he was in town. He is very much in town, but not in the House to face up to this basic problem I am not going into that. I am not saying he is not trusted; I am not saying there is a crisis in the Cabinet. But the House has a right to know why the Finance Minister, although in town, on two consecutive days had chosen to remain absent, does not face the House on such a critical issue as black money

I also want to ask my copy of the report laid on the Table of the House and accepted in para 756 of the Bulletin was sent to the Ministry of Finance, I was informed by your secretariat, for scrutiny and examination. They had kept it for ten days I shall be entitled to know what their reaction is on that. If they keep silent I shall certainly draw my own conclusion and the whole House will be quite right in drawing the conclusion that the report is genuine

I go further, why Mr Chavan is not facing the House. My information is that after the 1972 elections, demonetisation was more or less accepted by a section in the Cabinet and currencies were printed and they are lying—that is my information. But I am told that the Prime Minister did not give it clearance and therefore the printed currency remains in some vault, somewhere .

THE MINISTER OF PARLIAMENTARY AFFAIRS AND SHIPPING AND TRANSPORT (SHRI RAJ BAHADUR): Preposterous absurd . . . (Interruptions).

SHRI JYOTIRMOY BOSU: I am saying this on my own responsibility. Mr. Ganesh claims to be an intelligent man, a trusted person by the Prime Minister. Mr Ganesh has read Marxism I do not wish to carry coal to Newcastle I shall say a few things. . . . (Interruptions). The Minister disturbs me. I can easily retort. Does he not understand my language? He can learn; that will help him. What Mr Ganesh has said reminds me of an English idiom. empty vessels sound much He has not touched the subject at all. He talked about the rule of the thumb; I shall give a detailed reply to each and every point raised by all the hon Members of the House.

MR. DEPUTY-SPEAKER: Judged by the high decibels, you sound louder!

SHRI JYOTIRMOY BOSU: My old father, who was responsible for showing me light in this world may be able to answer that

Mr Ganesh talked about the rule of the thumb, about the Congress Party taking money, etc I can narrate the roll of honours before the House for the last 25 years. Abu, the famous cartoonist, has shown how to turn black money into white: "Wrap it in a piece of khadi and it is white" Mr Abu is no CPM member or socialist. But that is the answer to Mr Ganesh. Today we have got a bunch of UP MLAs meeting the Prime Minister with charges of corruption against the Chief Minister. This afternoon this fabulous FCI corruption will be resounding from every corner of the House. This is the glorious Congress attitude towards life and purity.

Mr. Ganesh has claimed that the Government informed this House about the interim report and their decision that they would not demonetise. This is wholly untrue. I had hit them hard during the Finance Bill discussion and then Mr. Chavan was forced to confess that there was an interim report. I gave extracts from my possession and he had to accept it. I had never said that the Wanchoo Committee's final report is good. I have not expressed my appreciation of it: I have criticised

many things in it. But the interim report certainly would have helped, had it been implemented in time 1½ years ago, when a considerable portion of the black money was in the shape of currency and other items you can lay your hands on. I must say with great sorrow that the intelligence people are harassing my friends as to wherefrom. I got the Wanchoo Committee report. My telephone, my house, everything is under constant watch, all the 24 hours Parliamentary life is becoming impossible because of this police State

Mr Ganesh has misled the House—I am charging him here. He talked about the great vigour in tax realisation. But the Reserve Bank study says

"Contrary to the general impression about rising tax burden on the corporate sector, tax provisions in relation to pre-tax profits has shown a steady decline during the past five years from 1965-66 to 1970-71."

The Minister has the courage to mislead this House—I do not want to use the word "cheat" The study covers 290 large public limited companies. The conclusions are that while manufacturing costs as a proportion of the value of output remain by and large unchanged at about 55 per cent, wage costs declined considerably. It shows that they are making money but the Government's tax realisation is going down and the workers are getting less money. What is he waxing eloquent upon? Is he not trying to carry coal to Newcastle?

He talked about searches. We have to bear with these people who are constantly delivering unmixed truth on the floor of this House, thinking that they are the only knowledgeable people. They have a big kitchen to cook curries, we know. But we also burn our candles to read things. May I refer to the *Economic and Political Weekly*? According to that weekly, during 1968-69 the number of successful searches is 79, number of prosecutions launched 31 and number of convictions 7.

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During 1969-70 the number of successful searches is 169, the prosecutions launched 27 (while in the previous year it was about 45 per cent, here it is barely 24 per cent) and the number of convictions is 6 out of 169 (as against 7 out of 70). There is a saying in German which means "you are doing wonderfully well" and I say that to Shri Ganesh.

I have talked about the Reserve Bank Survey Report to show that the collection of tax from the corporate sector has gone down. I have talked about the wage reduction. I have not read the Interim Report, because you have not allowed it. If they had done in time what the Committee had recommended, they would have done some service to the country. But they did not because if they do that, then they would have no legs to stand on. Because, as I have said again and again, the present leader of the party and the party itself survive on blackmoney. Without black money the party would not move an inch, cannot survive for a day.

This Committee was chosen and constituted by the government, not by us. Now they are saying that the recommendations are not good enough because they do not suit their purpose. The real recommendations contained in the interim report had to be shielded. They were even asked to destroy or withdraw the report. I am glad they showed courage and did not do it.

MR. DEPUTY-SPEAKER: You are repeating yourself now

SHRI JYOTIRMOY BOSU: Sir, your memory is very good. I assure you there will be no more repetition, however sharp your memory may be, because my flappings are dated.

I reiterate that demonetisation is not the only remedy. Professor Kaldor suggested a single comprehensive return, a self-checking system of taxation and an automatic reporting system. He said that he considers these the most important requirements from the point of administrative efficiency. Then he says that an integrated and consolidated tax system would have brought them Rs.

100 crores of extra taxes. That was scuttled by the former Finance Minister, Shri T. T. Krishnamachari. I tell you that he did not go out for charges of corruption. In 1957 he divided the whole tax structure into four portions and then the expenditure tax was suddenly discontinued, surely not under the pressure of the working class but under the pressure of all those who have colossal expenditure, your friends. I will say that the expenditure tax should be revived.

I have suggested demonetisation and other measures. I do not wish to repeat them. Government must sincerely seek people's co-operation. But the Prime Minister, Shrimati Indira Gandhi, and her government with the class character that it has is a government of the black money by the black money for the black money. This is the outcome of the capitalist system of development. I hope I am not carrying coal to Newcastle. In their class interest they have created black money and so they want it to be retained.

The scheme of voluntary declaration which was introduced did not work.

This is what the *Economic and Political Weekly* says:

"A Committee which ranked the prevalence of high tax rates "as the first and foremost" cause of evasion could have done better homework on the subject before making a definitive recommendation for the reduction of the present income-tax rates applying to the higher ranges of income"

So, the scheme of voluntary disclosures did not work at all.

The "Trusts" are another source of havoc, one of the biggest outlets, one of the biggest sources, of tax evasion. But the Government is silent about it.

Again, I say, you implement the Interim Report, the measures suggested therein and leave the wrong path. Otherwise there will be people's upsurge and you will not be able to survive.

Since 1971, since the time Mrs. Indira Gandhi has assumed absolute power in the country, do you know the number of shootings and firings that have been going on in the States? If you compare them with the figures when Congress forces have been dominating the States, 1967-69, it is quite a different picture. I am saying it on my own responsibility.

Then, Mr. Ganesh has said that bank credit will be denied to those who evade taxes. May I get a confirmation from him here and now that the Government is going to implement that or would it just be a pious narration and nothing will be done? After I have finished, Mr. Ganesh should say whether the Government is going to accept that recommendation, that those who have been caught evading taxes will be denied the bank credit. We want to hear it right now.

Then, Sir, Mr. Ganesh said in the Rajya Sabha that the Interim Report by its very nature was meant for the consideration of the Government only. I ask: Is it not a fact that all reports have the same character that they go to the Government for consideration?

I am surprised, even the Cabinet Ministers were kept in darkness about the Interim Report Dr. V. K. R. V. Rao who was the Cabinet Minister at that time has, more or less, confessed in his speech. I can tell now here and now, that out of 200 copies that were cyclostyled, 20 copies have gone to persons who have been either Ministers then or now because they had not seen the contents of the report. That is the position.

What is the havoc this black money is playing? I raised the issue, this morning, of Shaw Wallace Co. and black money going out of the country in terms of foreign exchange and all that. Money is being hidden in banks in Tangiers, in Hong Kong, in Basle, in Switzerland. What happens then? On the one hand, the Swiss banks keep black money in Coded Accounts nos. and, on the other hand, allow them a white overdraft in foreign exchange. This is what is happening. I have worked next-door to R. G. Shaw Co. for years. They

have handed over their shares to Duncan Brothers' counterparts in London, Duncan Goodrick Co. On what considerations? The consideration was money through back-door foreign exchange, that is, "How much you want to pay, 30 rupees a pound or 40 rupees a dollar?" And in a matter of second, it would be procured. This has been only possible because of Rs. 7,500 crores black money, There is no other reason.

Mr. Ganesh, don't behave like an ostrich. You think, if you side your head in sand, nobody can see you. This news came in the *Economic and Political Weekly* day before yesterday. If I am to take that Mr. Ganesh, the great knowledgeable man, the Minister of State in the Ministry of Finance, does not read this paper, I have really no answer to give.

Then I come to one of two other items. Prof. V. K. R. V. Rao is an eminent scholar, a well known professor. In fact, I attache more importance to his speech than what came out from that side. He is not here. He has requested me to send to him a copy of my speech in reply to this. My very dear and respected Dr. V. K. R. V. Rao, when he came to planning as the Planning Minister, forgot planning and economics; when he came to Education, he forgot education, and illiteracy increased. What does this report say? There are as many as 33 districts with a total population of 32.07 million where the literacy percentage is less than 15, after 25 years of the golden rule of Congress. Then he came to Transport. We have been asking: have you got a national, integrated transport policy? No. Dr. V. K. R. V. Rao was there. I do not want to repeat that he was one of those who opposed bank nationalisation I do not want to go into that I shall deal with the subject, what he has tried to say. He has said that demonetisation is not the remedy. May I ask Dr. Rao or his colleagues in his Party here: what then is the remedy?

Then he said that Government would take time to take the decision. I do not know for Government, how many seconds make a minute and how many minutes make an hour. What is the average living age of an

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Indian? I think, it is one of the lowest in the world. From 12 November, 1970 they sat over it; they kept the document in a sealed cover in the Ministry of Finance. I do not know whether Mr. Patel had a duplicate key and when he retired, he took out one. The thing was rotting there. They talk that they would implement. Like land reforms gimmick, demonetisation gimmick may be done. In the meantime, people have been cautioned. There is rush in the Bombay Diamond market. Properties are being sold and bought very briskly and quickly. Bosu is after a mischief for the good men in the country. Government have been unable to prevent him; therefore, quickly make your immovable property into movable property and movable property into immovable property and adjust the things! That is what it is. I have replied to this. The results of previous demonetisation have been very nicely put by somebody here.

Then Dr. V. K. R. V. Rao said: how can you touch the ten-rupee notes. Did he lose sight of the fact conveniently that ten-rupee currency is one-third of the total currency that is in circulation. If you leave the ten-rupee currency untouched, then you have done the job half way. I do not understand what happened to Dr. V. K. R. V. Rao. Was he under the party whip or has he been offered something, I do not know. Dr. V. K. R. V. Rao was off his guard at that moment when he confessed that he did not know anything about the report. He was a Minister. In his emotions he forgot that he was a sitting Cabinet Minister on 12th November 1970. And a report like this has to come before the entire Cabinet. You do not allow the Deputy Minister to enter the room; you make him sit behind the Cabinet Secretary who has a higher position in the warrant of precedence. I am not talking about that. The question is that as a Cabinet Minister, this gentleman did not know that such a report was submitted. I understand his tears for the rural rich. He said that the people in the rural areas would be harassed. Very useful tears are being shed for the rural rich—the steel frame of the Congress elite.

Well, Dr. Rao has done a service which must be recognised by the leadership on the other side. I am talking about the primary teachers facing difficulty in changing their currency notes. But Dr. Rao is a Professor graduated from the Cambridge University, so on and so forth. He does not know that a primary teacher in certain cases does not draw even more than Rs. 115 and that will not allow him to go more than a week in a month and Dr. Rao is talking about the surplus hoarded wealth of a primary teacher. Sir, I hang my head in shame after hearing this from a man who has been in education.

I say, they resisted demonetisation, they resisted publication of the interim report, purely in the interest of self-preservation, nothing but that Dr. Rao said this Rs. 7,000 crores issue is a fly. He said it is a fly. It should be, I was made to feel that I have thrown pearls before swans and, in that context, Dr. Rao, I am sorry to say this, twisted when I demanded demonetisation, that Rs. 7,000 crores is black money when the currency is Rs. 4,200 crores when I did tell him that I am saying Rs 7,000 crores is black money wealth. Wealth does not mean currency only. Dr. Rao tried to hit me below the belt and win the case. I am sorry for that.

Dr Rao was not talking through the back of his hat. He talked about giving cheques at all counters. Well, Mr. Piloo Mody had said that he will give cheques at the railway counters and buy a third class ticket for his companion from Delhi to Bombay. 'If the cheque bounces, I will give another cheque'. Let that be. I say Dr. Rao is talking through the back of his hat. Sir, let us see now what is the growth of banking.

I will give the figures for 1951, 1961, 1967, 1968, 1969. I am giving the population over a lakh, number of places, the number of offices (total) in the country.

In 1951 it was 1537 and after this glorious reign of 25 years it has come to 3,220. I am talking about . . . (Interruptions) Who is going to cash Dr. Rao's cheque and where will it be cashed?

May I tell you one incident? I had a State Bank Traveller's cheque for Rs. 100. I went to a nationalised bank to get hundred rupees. The Manager said, 'What is this?' I said 'It is a traveller's cheque'. He said, 'We do not deal in traveller's cheques'. I then thought Dr. Rao is living in a fool's paradise when he expects that people will deal through cheques and bank orders. . . (Interruptions).

He is a good boy, but only in bad company. Dr. Rao has conveniently forgotten in his midsummer dream that he was living in a fool's paradise. He talked through the back of his hat. He talked about things which have no basis at all. But he had to make a case because they are suffering from a decadence. They cannot produce somebody who can really talk substance. I am very sorry to say this. But, what has happened? The black money has pushed the white money out of circulation. The Finance Minister had confessed time and again, 'There is a parallel economy running in the country' and white money in most of the places is powerless.

I talked about cheques. I talked about banking. I do not wish to say much. All I wish to say is that Dr. Rao very conveniently forgot the basic thing—about tax evasion. Cost account audit. Inflated cost of production and deflated sales revenue is the basis of evasion. How can you check it? For that, you should go in for cost account audit. I have written to the Prime Minister for the last five years, 'Why don't you go in for cost account audit, if you mean business?' Either there is no reply or the reply is in the negative. We talk about doing away with licences. Wonderful. If Dr. Rao goes on saying that he may be expelled by his Party because it survives on licences. We believe in nationalisation. We believe in controls. We believe in licences. But we do not believe in collecting money in exchange for licences. We do not believe in collecting money through controls. But that is their *modus operandi*. (Interruptions)

Dr. Rao talked about registers in hotels and restaurants. This Mr. R. P. Goenka, after the last election, had

given a victory party at the Claridges Hotel where he started saying, while drinking the toast, 'The victory is ours'. I am told that the bill was a fraction, a very small Rs. 35,000. Let us see the books of accounts of Shri R. P. Goenka. This is all that I want to say. I talked about corruption. Have we forgotten about the case of Mr. Krishnamachari? Have we forgotten about the case of the late Mr. Bakshi Ghulam Mohammad? Have we forgotten about the case of the Orissa Congress Chief Minister? Have we forgotten about Pratap Singh Kairon. There are various rolls of honour. Have we forgotten all of them? And then what about Mr. Bansilal? There have been so many cases. The CBI is an instrument of black-mailing; they have two types of cases, one the registered variety and the other, the unregistered variety. I know of one Director of CBI who told his friend, I have been told by a very high-up in the Cabinet, the lady, report it to me and not to the Home Minister. I will not mention the names, I will not go into the details. All I want to say is this (Interruptions).

SHRI K. P. UNNIKRISHNAN (Badagara): He can defend himself but he should not give any names. (Interruptions). He should not mention the names. .

MR. DEPUTY-SPEAKER: Well, is it in connection with this? (Interruption).

SHRI JYOTIRMOY BOSU: I have not told anything. Don't become a member of the *halla* party; Mr. Unnikrishnan you have come from. (Interruptions).

Sir, I say this. They talked about corruption. This is the report of the Orissa Enquiry Commission, Justice Sarjoo Prasad Commission's report. It talked about corruption. It says:

The fact that a man of the ability and calibre of Shri Mahatab who has held high offices and rendered many valuable services to the State should be found guilty of accepting illegal gratification in order to show favours to the kundu leaf contractors unmistakably

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indicates that there is some serious malaise in the body politic and the political system under which they are living.

Then it says:

'Shri Mahtab has of course been exposed but there may be many more in high places who have sufficiently enriched themselves and are still enjoying their positions of power and authority. Corruption, if it seeps from the top, rapidly contaminates the lower layers of our social and political life; and that is why we find it corroding and eating into the vitals of almost every phase of our social and political structure.'

All that I wanted to say, I have said, Sir. If the Government means business at all, they must implement the interim report of the Wanchoo Committee and also take the suggestions which have come from various good quarters about demonetisation.

Thank you.

MR. DEPUTY SPEAKER: Now we will take up discussion under Rule 193 on the working of the Food Corporation of India.

SHRI K. R. GANESH: Just a minute, Sir. I referred to the Delhi raid in which I first, said architects, then I said valuers. I would like to correct myself. There are 10 architects. The eleventh is coming.

SHRI INDRAJIT GUPTA: You have been named, Mr. Piloo Mody!

SHRI PILOO MODY: I may be permitted to refer to the last point that he mentioned. What is it between architects and valuers? There are some architects who work as valuers, in which case, we call them valuers, just like, when we have a planter working as Minister we call him a Minister. If he is a horse-ranger we will not call him a horse-ranger, we would call him, a Minister.

MR. DEPUTY SPEAKER: Anyway, we proceed to the next item. Shri Piloo Mody.

15.54 hrs.

DISCUSSION RE: WORKING OF FOOD CORPORATION OF INDIA.

SHRI PILOO MODY (GODHRA): Mr. Deputy Speaker, Sir, After having heard Mr. Jyotirmoy Bosu talk about black money and how black money is generated, I feel, Sir, that of all the money unearthed in this debate—something like Rs. 6,000 to Rs. 7,000 crores,—a very substantial part of that must have emanated from the Food Corporation of India.

I have heard many famous names this evening, like Shri T.T. Krishnamachari, like Bakshi Ghulam Mohammed, Shri Partap Singh Kairon, like Shri Hare Krishna Mahatab, like Goenka, like Morarka, like Mundhra, like the Balmer Lawrie scandal, the Shaw Wallace deal and all manner of other things. But all of these pale into insignificance when it comes to the Food Corporation of India swindle.

The Food Corporation of India has perhaps the largest turnover in the whole of Asia, namely Rs. 2000 crores; Rs. 2000 crores goes through the fingers of the coffers of the Food Corporation of India.

15.56 hrs.

SHRI K. N. TIWARY *in the Chair.*

Rs. 2000 crores; not even the Congress can dream of that much money; Rs. 2000 crores. Out of this Rs. 2000 crores, several crores of rupees have disappeared, evaporated, were stolen, were eaten, were rat-eaten, were infested leaked out; I do not know what. But out of Rs. 2000 crores, several crores have disappeared. After having collected all this information on the Food Corporation of India, I have only been able to discover and identify about Rs. 6 to 8 crores. If a person like me so far remote from the Food Corporation of India can identify only Rs. 6 to 8 crores, that has somehow disappeared, how many more crores must have gone, which is in the know of all these knowledgeable colleagues of mine sitting on and behind the Treasury Benches.

Having done all this, the fraud having come to light, we find that the