

12.16 hrs.

**STATUTORY RESOLUTIONS RE:
DISAPPROVAL OF VOLUNTARY
DISCLOSURE OF INCOME AND
WEALTH ORDINANCES, 1975
AND
VOLUNTARY DISCLOSURE OF
INCOME AND WEALTH BILL**

MR. SPEAKER: We shall take up the next item, Resolution regarding Voluntary Disclosure of Income and Wealth Ordinance, 1975.

Shri Bhogendra Jha. . . he is not there; Shri M. Kalyanasundaram. . . he is also not there. Shri C. K. Chandrappan.

SHRI C. K. CHANDRAPAN
(Tellicherry): Sir, I beg to move:

"This House disapproves of the Voluntary Disclosure of Income and Wealth Ordinance, 1975 (Ordinance No. 15 of 1975) promulgated by the President on the 8th October, 1975."

While opposing this Ordinance as also the Bill we find that the Government perhaps have got only one argument to substantiate and justify the promulgation of the Ordinance and introduction of this Bill. That argument may be based on the well known saying that nothing succeeds like success.

This Voluntary Disclosure scheme after its promulgation has brought to light about Rs. 1450 crores of black-money and from that amount, the Government is expecting Rs. 200 to Rs. 250 crores to be added to the revenue by way of taxation. These disclosures of Rs. 1450 crores and the expected addition to the revenue has raised the Minister to philosophical heights. For example, after congratulating the officers of the Income-tax Department, the Minister for Finance, Shri C. Subramaniam had stated: 'To err is human, but to have the courage to confess is truly divine. The Minister had raised the black-marketeers and the criminals who committed

crimes knowingly against the society to divine heights and now because they disclosed some of their incomes, that made the Minister to say this.

What is the question now? The question is not what happened after the promulgation of this Ordinance. This Ordinance was necessitated to fight the black-money, to eradicate the parallel economy which is playing havoc in our society. If that was the purpose, then we have to go a little deeper into the matter before we raise ourselves to the exalted heights.

This Government had appointed a Committee, known as the Wanchoo Committee, which presented the Direct Taxes Enquiry Report. That report says about the magnitude of the problem of black-money and the parallel economy in our country. According to Mr. Wanchoo, Chairman of this Committee, in 1968-69 the value of money circulated in the world of parallel economy was to the tune of Rs. 7,000 crores. Another Member of the Committee, Shri D. K. Rangnekar differed from Shri Wanchoo and said that the quantum of black-money is not possibly Rs. 7,000 crores, it could be just double that amount, i.e. Rs. 14,000 crores. There is no dispute when we read this report that the amount of black-money in circulation in our country at that time was between Rs. 7,000 crores and Rs. 14,000 crores. Almost a decade has passed and if we again go by the report, every passing year had added more than a thousand crore of rupees black money to the aggregate total of the black money that we had in our country.

So, safely one can conclude to-day that the problem of black money that we are facing, the dark face of the parallel economy which we are trying to see is something like Rs. 25,000 crores of rupees in circulation. The value of black money is that much. If that is so, then the amount disclosed, I am very sorry to say, is not very much. It is only Rs. 1450 crores

[Shri C. K. Chandrapan]

and all the experts who spoke about this thing agreed that it may not be more than 10 per cent of the total black money which is in circulation to-day. The *Economic Times* of day before yesterday came out saying that when the Ministry finally go into the arithmetics of it, what they would get after eliminating the double disclosure and all that may come to Rs. 1200 crores and the revenue the government is expected to get for the exchequer will also be to the tune of Rs. 200 or Rs. 250 crores. It may also be less.

Now, the opinion expressed by the Wanchoo Committee about the voluntary disclosure scheme itself also is worth noting, because, this is not a new suggestion or a new invention made by the Minister. Formerly we had done it. I am quoting from the Wanchoo Committee.

"A voluntary disclosure scheme is an extraordinary measure meant for abnormal situations such as after a war or at times of national crisis. Resorting to such a measure during normal times and that too frequently, would only shake the confidence of the honest tax-payer in the capacity of the Government to deal with the law-breakers and would invite contempt for its enforcement machinery. Any more disclosure scheme would not only fail to achieve the intended purpose of unearthing black money but would have a deleterious effect on the level of confidence among the tax-paying public and on the morale of the administration. The idea of introduction of any general scheme of disclosure either now or in future is, therefore, strongly opposed."

This is what the Wanchoo Committee said. Then also, the Government did not pay any attention to the suggestion made by that committee.

We have the experience of introducing such schemes. In 1951 this

Government introduced a scheme of voluntary disclosure. The result was Rs. 70 crores of income was disclosed by 21,000 persons and that added Rs. 11.5 crores to the taxes. In 1965 they again tried this. Then, what happened? Rs. 51 crores. Less than what we got in 1951 and by 12,000 persons and the tax revenue was Rs. 31 crores and in the same year, they again tried and they got Rs. 145 crores from 10,000 people and Rs. 19 crores to the tax revenue. This time, they got Rs. 1450 crores from 1,50,000 persons and expect a tax revenue of Rs. 200 crores.

There is a serious question. When we discuss this, we consider this is an immoral action taken by the government. The step taken is thoroughly immoral. Why? Because, the taxpayer, the honest man who pays the tax is penalised for not paying tax by harassing him all these years and he has paid tax and for his honesty he paid more and this Bill now keeps the secrecy of those who disclosed their ill-gotten wealth. They will not tell us who are the people who disclosed this and they will not ask them how they got the money. The officials are given immunity. They need not disclose to Parliament or anybody or even to committees of Parliament. This kind of a thing is a crime committed by the Government against the honest people in this country.

If you go to the results of the voluntary disclosure schemes, immediately after the Ordinance was announced, you will find that the Minister threatened that we will do everything possible and we will intensify the raids. That was a good thing. For that, there was no necessity of ordinance. His hands were free and especially after the emergency with added strength, power, Government could have struck at the very root of the problem of black-money. Government did not do it. But, Government on the contrary, said, you disclose your ill-gotten

wealth, otherwise you will be in trouble. In the last days disclosures were made and thus this result.

Government had to take further steps, steps towards surrender. Government took seven steps towards surrender, to capitulate itself and its policy to the blackmarketeers any to the chieftains of the parallel economy of the country. I would explain all those seven steps:—

- 1 Immunity from confiscation, penalty and prosecution under Gold Control Act and Customs Act.

This was the first step. But immunity and confiscation from whom?

The fact of the matter is that your income tax people have found out the wealth after various searches. They assessed the value of the new constructions in the Malabar Hills, in Bombay, in Madras, in Delhi and many other places. All the actions are now stopped because they have to voluntarily disclose. This is rather strange! This is a shameful position taken by the Government. One they found a thief. They caught him red-handed. Instead of seizing the property they gave him an opportunity. Well, this is the land of Buddha, land of Gandhi, you come and disclose voluntarily! This is a very strange fashion.

2. The second step is about the dropping of proceedings in regard to compulsory acquisition of immovable property.

Government identified the ill-gotten wealth with which immovable properties were purchased or created. But Government said we will not proceed any further if you disclose it.

3. Withholding action under the Sales Tax Law.

4. Exemption from disclosing the nature of source of Income.

This is something very interesting. This, I think, is an attempt to white wash the dirty face of tycoons in the country who are holding black money with them. They are the back-moneyed people who have scuttled your policies. They are responsible for hoarding the grains when the Government took over the wholesale trade in wheat. They are the people who have been financing J.P. movement in this country.

You are speaking so much that you will fight, you will smash the socio-economic base of fascism in this country. Let me tell you the base of fascism. Do you think that this threat has come from heaven? No, it has a social base in this country. That 'social base' is the economic base of the monopoly houses in our country. That 'social base' is deeply rooted in the parallel economy. That 'social base' again is deeply rooted in the economy controlled by the 'kulaks' in our country.

And, if you have got to break that base, then, you cannot go with just folded hands and pray to God, saying, let there be wisdom, let them be honest, etc. That will not do; you cannot treat them like that. But you have done exactly like that. You have not only done that, but you have committed another crime against yourselves. There are gentlemen like Goenka against whom cases are pending, there are women like Gayatri Devi and many other Devis, who became champions of the JP movement, against whom cases were pending. Now, if such kinds of persons disclose a little amount, the Government is so very happy about it, that the further proceedings are stopped. Is this the way to fight these tendencies? I don't know: but this is the dangerous path in which you are trying to move. I would like to strike that note of warning to you.

[Shri C. K. Chandrappan]

Then came another surrender. This is the fifth step that is to say, facility for the same individual to make any number of disclosures on behalf of different tax entities like wife, children, relatives and even employees. Then, who is out of it,

SHRI N. K. P. SALVE (Betul):
Where do you get this, which Section?

SHRI C. K. CHANDRAPPAN: Let him come to the clauses. Mr. Salve, being a lawyer, knows it better. Let him see the clauses. When we discuss the clause, we will discuss this.

Then comes the fifth step, that is, levy of tax on the current value of assets declared. This value would be whatever was the value at the time of acquisition as claimed in the declaration. So, this is another strange step which has been taken by the Government. What is the actual value of the declaration made? Nobody can find that out. Even the Government will be unable to say what it is. Suppose a person says that at the time of constructing a building in 'Malabar Hill' that cost him only Rs. 2 lakhs, even if the value of that same building today may be Rs. 2 crores, if the declaration is only of Rs. 2 lakhs what happens is, he is only responsible for Rs. 2 lakhs and nothing more. In this way, the Government is giving licence to makers of black money. Rs. 193 crores will then again become black money. Mr. Justice Wanchoo has stated that black money is a peculiar phenomenon. It would breed more black money. Now, the Government becomes a party in that effort of those people having black money to breed more black money in our economy. That will not help anybody.

And then, see the last one, the absence of any challenge of the claims made by the declarant. Suppose I declare Rs. 10 or may be Mr. Goenka

declares. The Government will not say anything. They will happily accept it. They will accept that Rs. 10. Rs. 10 will be added to the voluntarily disclosed amount. The Government could not have brought forward a more ridiculous scheme than this. This is the crux of the matter. And, in this context, certain other things also should be told to the Government and told to this House.

The Government says that they have succeeded, that is to say, they have got greater amount of money, disclosed from the parallel economy, from this world of black money. What has actually happened? Why did it not happen in 1951 and 1965 and why should it happen only today? The fact of the matter is, today there is emergency. And this emergency has put the fear of God into the minds of these people,—not that Mr. Subramaniam today sees them as angels of virtue, fluttering around now! It is the fear of hell into the minds of the tax evaders, they thought that they will be punished and that they will have to face the serious consequences that had helped the disclosure. With that fear in the minds of the people, the condition was there in our country to mobilise the all round support of the people to unearth the black money and weed out this malady from our socio-economic life. Instead of doing that, the Government merrily went and shamelessly surrendered to the black money. That is what our criticism is about this. What is this black money? The black money means a parallel economy, it means corruption, it means hoarding, it means ostentatious and vulgar spending; it also means boot-legging, vandalism and it also means, in short, creation of fascist atmosphere in the country.

Government instead of fighting it and instead of demolishing the edifice of black money and parallel economy, just went with folded hands to worship at the feet of the cheats of the parallel economy. This is our complaint.

Before I conclude, I would also bring to the notice of this House the fact which was revealed by this Minister; in 1974, 2029 raids were carried out and they got Rs. 17 crores of concealed income. This was answered by him in regard to a question in the other House. In 1975, upto November 30, 1523 raids were conducted. After declaration of emergency, in 1975, it has become 1523 from 2029 in 1970.

The figure was Rs. 17 crores in 1974 and it has come down to Rs. 14 crores in 1975. What does it show? It shows the Government slackened itself. It sat leaned back without going further with a new vigour and with enthusiasm with which it should have done. If they had done that, then, I am very sure, the results would have been much better even with this voluntary disclosures scheme.

There is now another danger. The hon. Minister himself, after the voluntary disclosure scheme was concluded, made a statement. He made it clear that 'it was not necessary that the law should take its own course now that the period of leniency was over. The policy of forget and forgive was over.'

He is modern Jesus Christ, so to say. Let me remind him what Jesus Christ said about the black marketeers —'if I see a blackmarketeer in the church, with a whip I will beat him and send him out'. Here are our Ministers who are saying 'the period of forgetting and forgiving is over.' But, even then, he told the black-marketeers to go and again confess as there was a possibility that the officials might give them some discretionary concessions. There is this danger even after the voluntary disclosure period is over. There this danger of the bureaucracy using the discretion in favour of the black-marketeers is on the horizon. This is a very serious danger. Now to conclude, I must say that to-day or

tomorrow you will have to sit down and make out your accounts of how much you got and what was the result of it. I am very sure that when you go to writing down in black and white your account, the big amount about which you are tom-tomming to-day, will be much less than what you claim now. Secondly, the amount also should be understood in the present context when the value of rupee has gone higher than it was in the last decade. When the other schemes were introduced, you would find that what you got disclosed is nothing more. I have made some studies about it. In 1951, the disclosed amount was 0.75 per cent of the GNP. and in 1965 it was 1 per cent and in 1975 it will be 1.75 per cent. You can clap and have the ovation for 1.75 per cent but when the ovations are over you will be in the dock where you will find that you are with the hoarders and black-marketeers who are controlling the parallel economy in the country.

So, Sir, I request that the Government should consider all this and this Bill should be withdrawn and the House reject this Ordinance and, I hope, the Government will agree with this and scrap this exercise in futility. With these words I oppose this Bill and request the House to reject the Ordinance.

SHRI ERASMO DE SEQUEIRA (Marmagoa): Mr. Speaker, Sir, I beg to move:

"This House disapproves of the Voluntary Disclosure of Income and Wealth (Amendment) Ordinance, 1975 (Ordinance No. 23 of 1975) promulgated by the President on the 29th November, 1975."

Sir, these two ordinances that are now before the House and the Voluntary Disclosure Bill to my mind are a very good example, or a very bad example, of the cynicism of this Government.

[Shri Erasmo De Sequeira]

Sir, I would like to take you back to the climate just before the Voluntary Disclosure Scheme. This was a case where Government declared a policy of rooting out black money from the Indian economic system, which quite frankly, from what has happened since it is obvious the Government did not at all intend to implement

But apparently there was some kind of bureaucratic slip, and the Income Tax Department took the Government's announcement rather seriously. If you will remember, Sir, there were a large series of raids carried on throughout this country, and from what one reads and hears, a substantial amount of the black money ramifications in the economy of this country became known to the Income Tax Department, and comprehensive documentation as to how this parallel economy was working became available to the Income Tax Department. It looks from what happened since, that some of the fish who were caught were rather good friends of this Government otherwise one cannot explain how having caught all these people, Government suddenly turned around and came forward with this disclosure scheme to bail them out.

Sir whatever was achieved in those raids—and I would like to compliment the Income Tax Department for the work they did—has been neutralised in this scheme. If you want to deduce the intimate relationship that obviously exists between this Government and those who operate the black money economy just have a look at the Bill. You will find in the sections of the Bill itself the confirmation of what I am saying because while it is not open for a person from whom return has been called for under Section 139 or 149 to take advantage of the voluntary disclosure scheme, it is provided in Section 14 of the Bill that where a seizure has already been

made, that seizure will not be taken into account either for payment of interest or for payment of penalty. Can there be a worse indictment of this Government?

Under the avowed policy of rooting black money you raid and seize all the documents, seize goods and money. And then you turn around and say: if you disclose voluntarily what we already know, you do not need to pay interest, you do not need to pay penalty. This is obviously a partnership, this cannot be anything but a partnership between the government and black money.

The functioning of black money had been found out by the Income-tax department. Government moves this House by law, first it moved the President and now it moves this House please bail out my partner crook who keeps on working the black market all the time.

Look at another factor. It will show you the intimate relationship between government and black money economy. There were two ordinances. The first ordinance came out in which the crooks were offered the opportunity of paying far less tax than what millions of honest tax payers in this country have been paying all these years. You are well aware that a couple of years ago the rates of income-tax went as high as 97 per cent. The highest rate under the disclosure scheme is 60 per cent. Having done all this in the first ordinance, and having exempted them from all kinds penal laws that were passed by this House, what happens? Obviously the partners of the government from the black money economy must have gone to them and said: what you have done is not enough, we want more. And the result was the second ordinance in which the Government gave them all. The Government said you have to furnish security. It says to the Commissioner now you shall have discretion to take any kind of security you like.

Then they said that gold should not be taken into account under the gold control order. Then they gave a few other concessions. Government speaks of economic regeneration. This scheme is nothing but an example of the degeneration of this Government.

MR. SPEAKER: Resolutions moved:

"This House disapproves of the Voluntary Disclosure of Income and Wealth Ordinance, 1975 (Ordinance No. 15 of 1975) promulgated by the President on the 8th October, 1975."

"This House disapproves of the Voluntary Disclosure of Income and Wealth (Amendment) Ordinance, 1975 (Ordinance No. 23 of 1975) promulgated by the President on the 29th November, 1975"

THE MINISTER OF STATE IN-CHARGE OF THE DEPARTMENT OF REVENUE AND BANKING (SHRI PRANAB KUMAR MUKHERJEE): I beg to move:

"That the Bill to provide for voluntary disclosure of income and wealth and for matters connected therewith or incidental thereto, be taken into consideration."

The President promulgated the Voluntary Disclosure of Income and Wealth Ordinance, 1975 on the 8th October, 1975 to provide for voluntary disclosure of concealed income and wealth. Another Ordinance, namely, the Voluntary Disclosure of Income and Wealth (Amendment) Ordinance, 1975 was promulgated by the President on the 29th November, 1975 to make certain amendments to the Ordinance of 8th October, 1975. This Bill seeks to replace the Voluntary Disclosure of Income and Wealth Ordinance, 1975 as amended by the second Ordinance of 29th November, 1975.

The circumstances which necessitate immediate legislation by the two Ordinances have been explained in

a Statement placed on the Table of the House. I do not therefore, propose to go into this aspect of the matter and shall content myself by briefly indicating the background in which the Government decided to introduce the voluntary disclosure scheme and the salient features thereof.

Hon. Members are, no doubt, aware of the vigorous action taken in recent months against tax evaders by increasing the tempo of searches and intensifying survey operations through special survey squads for detection of investment in luxury housing. The Taxation Laws (Amendment) Act, 1975 recently enacted by Parliament *inter alia* provided more stringent punishment for tax offences. These factors, coupled with the sense of discipline and social consciousness following in the wake of declaration of emergency, created a climate conducive for voluntary disclosures of income and wealth by erring taxpayers. The Government, therefore, decided to introduce a scheme of voluntary disclosure with a view to providing one last chance to such persons to come to the path of rectitude and civic responsibility.

The scheme of voluntary disclosures was in force from 8th October, 1975 to 31st December, 1975. The scheme provided for three types of declarations, namely, voluntary declaration of income in ordinary cases; declaration of income by persons whose books of account or other documents or valuable assets had been seized as a result of search by the Income-tax Department; and voluntary declaration of wealth. The voluntarily disclosed income in the first category is treated as a separate block, irrespective of the number of years over which it had been earned, and charged to tax at special rates. In the case of companies, the voluntarily disclosed income is chargeable to tax at the rate of 60 per cent. In the case of other categories of taxpayers, the first

[Shri Pranab Kumar Mukherjee]

Rs. 25,000 of the voluntarily disclosed income is chargeable to tax at the rate of 25 per cent; the income in the slab of Rs. 25,001 to Rs. 50,000 at the rate of 40 per cent; and the balance at the rate of 60 per cent. In addition to the amount of income-tax the declarant is required to invest 5 per cent. of the disclosed income in notified Government securities, proceeds of which will be utilised by the Government for projects of high social priority, like slum clearance and housing for low income groups.

Declarants have been provided immunity from penalty and prosecution under the direct taxes enactments in relation to the voluntarily disclosed income. Where the income so declared is held in the form of gold or article and ornaments made of gold, immunity has also been provided from confiscation, penalty or prosecution under the Gold (Control) Act, 1968 and the Customs Act, 1962. Further, the declarants have been exempted from wealth-tax in respect of assets represented by the disclosed income up to and including the assessment year 1975-76.

The scheme of voluntary disclosure has a restricted operation in the case of persons whose books of account, other documents, money, bullion, jewellery etc. have been seized as a result of search by the Income-tax Department. These persons are not entitled to the benefit of the special rates of income-tax in respect of the income of the year in which the search is made or any earlier year. The income in respect of these years declared under the scheme will be charged to tax at the normal rates of income-tax applicable to the taxable income of the declarant for the relevant years. The income so declared will, however, not be taken into account for the purposes of levying any penalty or charging interest under the Income-tax Act or for the purposes

of prosecution under that Act. While the assets represented by the concealed income will be chargeable to wealth-tax in the relevant years, the value of these assets will not be taken into account for the purpose of imposition of penalty or prosecution for defaults under the Wealth-tax Act.

The scheme also provides for declaration of net wealth, including declaration of assets which a person has either failed to disclose or assets which have been understated in value in the return of net wealth filed by the declarant. The declarant is required to pay wealth-tax in respect of the net wealth or, as the case may be, the value of the assets so declared at the normal rates applicable to his net wealth for the relevant assessment year. In addition, the declarant has to invest 2½ per cent. If the disclosed wealth in notified Government securities where the disclosure of wealth relates to more than one assessment year, the investment in notified securities is to be made with reference to the amount declared for last of these assessment years. The net wealth or, as the case may be, the value of the assets so declared will not be taken into account for the purpose of any penalty or prosecution under the Wealth-tax Act.

As the Hon'ble Members are aware, the scheme of voluntary disclosure has proved highly successful. According to the latest available information, it appears that 2,42,400 persons made declarations of income amounting to Rs. 741.24 crores in the aggregate. The income-tax payable on the disclosed income works out to Rs. 241.14 crores, of which a sum of Rs. 151.58 crores has already been paid. The remaining amount will be paid, according to the scheme, partly by the end of March this year and the remaining by the end of March, 1977. A total number of 13,302 declarations have been made in respect of concealed wealth. The aggregate amount covered by these

declarations comes to Rs. 812.11 crores. The wealth-tax in respect of the disclosed wealth works out to Rs. 6.91 crores, of which a sum of Rs. 3.99 crores has already been paid. The remaining amount will be paid partly by the end of March this year and the balance by the end of March, 1977.

The scheme of voluntary disclosure has brought out a large amount of concealed income and wealth which can now be channelised into productive fields in the overall interest of the economy. This is by no means a small gain and justifies Government's decision to introduce the scheme of voluntary disclosure. Before concluding, I would like to categorically state that Government's decision to introduce this scheme should not be mistaken as a weakening of our determination to fight tax evasion and other economic offences. I would like to assure this Hon'ble House that the drive against tax evasion and other economic offences will continue relentlessly and with greater determination.

Sir, with these words, I commend this Bill to the House.

MR. SPEAKER: Motion moved:

"That the Bill to provide for voluntary disclosure of income and wealth and for matters connected therewith or incidental thereto, be taken into consideration."

Mr. Sequeira may move his amendment.

MR. ERASMO DE SEQUEIRA: I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 15th April, 1976." (6).

MR. SPEAKER: Shri Halder.

SHRI KRISHNA CHANDRA HALDER (Aurangabad): Sir, it is a piecemeal

legislation only to help their friends, the black money-holders who are running a parallel economy. So, I oppose the Bill and support the resolution moved by Shri Chandrapan.

The much advertised voluntary disclosures are not voluntary. They are arising out of the raids conducted by the income-tax department in various parts of the country. If the government publish the list of the houses they have raided during the last couple of months and the names of the persons who have disclosed their income under the scheme, this fact can be proved. It should also be noted that the scheme was prepared after the conduct of raids on richer persons. Some sensational stories were published about the raids, but not a single name was published.

What is the reason for this? It was mainly to patch up with these persons and come to a compromise with them. This Bill, therefore, is a device to save the persons whose ill-gotten wealth was detected by the I.T. officials.

The voluntary disclosure is only a part of the black money accumulated by the rich people. It is a permit given to them to continue holding black money and wealth. The government, instead of publishing the names of the black money-holders is now permitting them to hold the money and this is being considered as their return to the path of civic responsibility in future. The surrender, therefore, to black money operators will only perpetuate the phenomenon of black money in Indian economy.

The Wanchoo Committee was appointed by the government and some recommendations were made to plug the loopholes of tax-evaders but these were not implemented by the government. In the early fifties, Prof. Kaldor estimated that tax evasion per annum was Rs. 200 crores. The

[Shri Krishna Chandra Halder]

Wanchoo Committee estimated the evasion to be Rs 1400 crores per year.

What action did Government take to punish the black-money holders? When the Opposition is suppressed under MISA and DIR, why are these black-money owners treated as honoured guests? The reason is that they are donating to the Congress Party. So long as they continue to donate, they are saved (*Interruptions*).

SHRI BHAGWAT JHA AZAD (Bhagalpur): How do you prove that? (*Interruptions*).

SHRI KRISHNA CHANDRA HALDER: Why are you not going to publish their names? When they stopped donating, their houses were searched. When they re-start paying to the coffers of the Congress Party, their cases are settled.

SHRI VAYALAR RAVI (Chirayinkul): The hon. Member made a charge against my Party saying that these black-money holders pay money to my Party. We want to know from the hon. Member who are the people who paid the money and got their cases settled? Please give their names.

MR. SPEAKER: This is no point of order. I would urge on the hon. Members not to make very wild, general and un-substantiated allegations. They should refrain from doing this and if they want to make any specific allegation, they should inform me beforehand. Please follow the rules.

SHRI KRISHNA CHANDRA HALDER: First of all, the Government should publish their names. Kindly appoint a Parliamentary Committee to go into the matter and then we will be able to know that these black-money owners were paying regularly to the coffers of the Congress Party. (*Interruptions*).

This has become the *modus-operandi* of black-money operations. Therefore, you are not prepared to disclose their names. Therefore, you are giving every protection. I would not be surprised if some of them are honoured by giving them 'Padma-Shree' and 'Padma-Vibhushan'.

The phenomenon of concealed income is being multiplied over a period of several years. The earning on black-money amounted to quite a big amount. It would certainly be less than what the Government would be getting by way of taxes. The disclosed amount will also be deposited in bonds in the name of holders of black-money and will get interest thereon.

MR. SPEAKER: Please continue your speech after lunch. Now, we adjourn for lunch to meet again at 2 o'clock.

13.00 hrs.

The Lok Sabha adjourned for Lunch till Fourteen of the Clock

The Lok Sabha re-assembled at Three Minutes past Fourteen of the Clock

[MR. DEPUTY-SPEAKER *in the Chair*].

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AND

VOLUNTARY DISCLOSURE OF
INCOME AND WEALTH BILL—
contd.

MR. DEPUTY-SPEAKER: Mr. Halder, please continue.

SHRI KRISHNA CHANDRA HALDER (Ausgram): Mr. Deputy Speaker, Sir, the protection given to the black money operators has made a mockery of the struggle against the black money. If somebody has stolen or embezzled money and got free from

the clutches of the police and now comes forward to disclose his income, he would be free, after sharing his booty with the Government. If somebody misappropriates the funds of the company and makes a voluntary disclosure, he would also get protection from the Government, because this disclosure is secret and would not be used against him.

Section 4(3) of the Bill makes the position clear. It says:

"Any person who has made a declaration under sub-section (1) of section 3 in respect of his income or as a representative assessee in respect of income of any person shall not be entitled to make any other declaration under that sub-section in respect of his income."

Thus, the Bill regularises the income of such persons and gives them full protection under the law. This declaration will not be admissible in evidence against the declarant. Section 11 of the Bill gives this guarantee for the blackmoney holders. Section 12 further ensures secrecy of the declaration. Concessions are given in Section 13 in the matter of payment of wealth-tax.

After so much concession is given, how much wealth has been disclosed? As stated by the Blitz, in its issue dated 10th January, 1976, it is only ten per cent of Rs. 20,000 crores. It says:

"The Wanchoo Committee had estimated an evaded income of Rs. 1,400 crores for 1968-69 alone. On that basis, Congress MP Vasant Sathe, in a paper submitted to the Planning Commission, which was also discussed by the Executive of the Congress Parliamentary Party recently, has computed what he called the 'rolling black money' in the country at Rs. 20,000 crores. If this figure were to be believed, the yield of Rs. 1,450 crores represents less than 10 per cent."

Blitz again says:

"Be that as it may, of the Rs. 1,450 crores declared, nearly Rs. 1,200 crores go back, all made white to the declarants—the same men who had held it back all these years."

Blitz has given a further glaring example of bonus to dishonesty:

"For example, the delinquent paid only 46.25 per cent on his Rs. 1 lakh concealed income, whereas the honest regular paid on the same amount 53.60 per cent."

Thus, you could not mop up even ten per cent of the black money. Most of the disclosed money becomes the property of the tax-evaders. They are further free to keep their black money while the Government is busy tomtomping the voluntary disclosure as an act of patriotism by the tax-evaders.

Section 16 of the Bill gives immunity from penalty prosecution etc. under certain Acts and allows the culprits to get virtual State patronage for their past misdeeds.

The Bill has, therefore, given a new slogan for the black money holders "ACCUMULATE BLACK MONEY—PAY DONATION TO CONGRESS PARTY—MAKE VOLUNTARY DISCLOSURE OF PART OF BLACK MONEY—GET PROTECTION AGAINST ALL PROSECUTION".

So, I oppose the Bill and support the Resolution moved by Shri Chandrapan.

SHRI N. K. P. SALVE (Betul): Mr. Deputy-Speaker, Sir, with rapt attention I have listened to the profound views by three members of the opposition. Shri Haldar chose to impute motives of dishonesty and patronage to a certain section of the tax-evaders by the people in the Government which, I submit, is not only absurd

[Shri N. K. P. Salve]

but also stupid. Such sort of wild and irresponsible allegations do not in any manner add to his case nor do they enhance his stature. I think we have reached a stage when we should be less irresponsible in making wild allegations.

So far as hon. Shri Sequeira and Shri Chandrappan are concerned, this measure is extremely immoral and very highly derogatory of the moral values by which all fiscal legislation must abide. Shri Chandrappan said that as a result of this measure, virtually the Finance Minister was worshipping at the feet of the tax evaders. In a matter like this it is very easy to moralise and it is easier to pontificate, but when you are embarking on a fiscal legislative measure of this nature, which I do submit is not going to be politically very popular in the House, it does take a lot more imagination, much greater courage and keeping in view of the national interests to a far greater extent. That it has been the right decision has been proved by the facts and figures quoted by the hon. Minister.

I concede that it implies the necessity of giving some sort of relief to those who have not been honest with their tax payment, there is no dispute about that. Every voluntary disclosure scheme does contain provisions which would put those who are tax evaders at a premium as against those who have been honest. Utterly correct. But we have to weigh this against the galvanizing effect on the economy when Rs. 1,550 crores are legitimised and Rs. 250 crores extra are collected. In fiscal legislation we should not be guided by doctrinaire conceptualisms, by any "isms". Those fiscal laws are the best which yield the best results. And if the results are the criterion, then I submit that this scheme has been a grand success, and the Finance Ministry deserves our full congratulations.

This attitude of criticism partly emanates out of a failure to understand the real problem which was sought to be grappled with and to appreciate the various provisions of this legislative measure and also partly because the whole attitude is a little negative and obscurantist.

Shri Sequeira lamented that the honest men were put at a discount and dishonest men at a premium, but what has he suggested to rationalise and streamline legislation for helping the honest men? What has any Member suggested to the Finance Minister in this respect for the future, so that more and more people are not driven to the path of tax evasion but keep to the narrow and straight path?

SHRI ERASMO DE SEQUEIRA (Marmagao). He has not been listening.

SHRI N K P SALVE: I wish Members do take the criticism which I am levelling now in the spirit in which it ought to be taken and give some thought to it instead of making any flippant remarks about it.

Hon. Member Shri Chandrappan is not here. He quoted certain figures from the Wanchoo Commission's Report without understanding them very thoroughly. The conception of black money itself is diverse in the minds of different people. Some people seem to consider that black money is a different type of currency which is in circulation parallel with the Reserve Bank's currency. In fact, black money is a pedestrian name which has been given to what may be described as tax evasion. That is all. The same money in the hands of one may be black or tax-evaded, and in the hands of another it may mean money on which he is paying due taxes. Therefore, when the problem of black money is sought to be tackled, what is sought to be tackled is, in fact, the problem of tax evasion. He referred to certain figures from the Wanchoo

Commission's Report. The Wanchoo Commission in its Report, stated that, according to a certain method of calculation that they had followed, to which I shall advert presently, in the assessment year 1968-69 tax evasion had been committed on an income of Rs. 1,400 crores. According to their estimate, if approximately 1/3 of the amount was to be taxed, the tax evasion in one year will be Rs. 470 crores, and for people to earn Rs. 1,400 crores, the deal involved is Rs. 7,000 crores.

Mr. Chandrappan was saying that there is a black money of Rs 4,000 crores and you have unearthed Rs. 1,500 crores as a pittance money. Now, what exactly is the tax evasion in each year is like counting of stars in the sky. It might be easier for Mr. Mukherjee to count the stars in the sky than to come with any degree of certainty as to what exactly is the tax evasion in a particular year. In fact, the method followed by the Wanchoo Committee itself is that they have themselves criticised it. They took the national income and the assessed income and said that the difference between the two represents the evaded income. That is an extremely improper method of calculation and it has its limitations. However, that was also the method by Nicolas Kalder, which they themselves followed.

The real problem is that the approach in the whole matter is not sufficiently scientific. We do not have sufficient social data; we do not have a research cell as such, which should collect proper statistics, which should collect proper data, which should collect proper information, figures, etc, as a result of which, we can have a more scientific approach and find out what is likely to be the tax evasion with some degree of precision in the matter.

Never mind what are the estimates and how far they may vary. One

must understand them. One may not take the Wanchoo Committee's figures as the Gospel truth; that would distort the same and make all sorts of surmises.

The Wanchoo Committee itself has enumerated eight causes of tax evasion and the first cause enumerated was the high rates of taxation under the direct tax laws; the second cause was the economy of shortages and consequent controls and licences; the third cause was the donations to political parties; the fourth cause was the corrupt business practices; the fifth cause was the ceilings on, and disallowances of, business expenses; the sixth cause was the high rates of sales-tax and other levies; the seventh cause was the ineffective enforcement of tax laws and the eighth cause was the deterioration in moral standards.

To implement the recommendations of the Wanchoo Committee, the Government did its best to bring a legislation, and they introduced the Taxation Laws (Amendment) Bill in 1973. For nearly three years, the Select Committee deliberated over that Bill, and those recommendations were acceptable to the Committee and were brought before the House. After the Report of the Select Committee was submitted, a comprehensive bill was passed. In that Bill, very stringent measures are provided for tax evaders; provisions of penalty and prosecution have been provided. For a person who is indulging in tax evasion of hundreds and thousands or more, now the penalty sought to be provided is seven years rigorous imprisonment with a minimum rigorous imprisonment of six months' time.

Thereafter, the Government has been taking a series of measures. In fact, it is not possible, while you are dealing with the problem of taxation, because you are dealing with a very tricky matter. It is not a joke, if you want people to pay their taxes

[Shri N. K. P. Salve]

honestly—nowhere in the world, people pay taxes honestly.

I was reading a report. In the United States of America, they have hauled up one thousand people; there the laws are very stringent. So far as the fraud taxation laws are concerned, a bandit may get away, a robber may get away, but the tax evader there is put behind the bars. Whatever may be the deficiency in the system of working of that country, one good thing is that once a tax-payer is caught, if he is not able to wield political influence, he goes behind the bars straightway.

There the federal grand jury investigated into the tax fraud of about one thousand people including the multi-nationals. This is a very difficult and ticklish problem. It is very easy to moralise that you are indulging in all sorts of gimmicks and giving all sorts of concession to people who have not been straight and honest with you; but if you are put with the problem of getting people to pay more and more taxes, then there is a problem of how to legitimise more and more money, bring it in the official channel from the unofficial channel. I would submit that till today, no measure has been as successful as the measure of voluntary disclosure, and to criticise the Government in this measure is an act, which is very unfair. I would not like to call it anti-social. I will go a step further. If my learned friends were to appreciate that it is very easy, I shall submit to pontificate that it is easy to make lectures and rebuke somebody that you have done this thing or that thing or why have you done this thing or that thing. You should suggest the way how you are going to legitimise Rs. 1,500 crores. Searches and seizures have been carried out relentlessly. You take my word. You can carry out searches and seizures for the rest of your life but the tax evasion will go on, as it is, unless you can so make

laws that the people of their own volition come out and make more and more payment of taxes. These sorts of measures, stringent measures, are always double-edged weapons. The more stringent laws you make, the more ingenuity you find in the process of tax evasion and more difficult it becomes for the Government to detect the tax-evasion.

What has happened to a large number of searches and seizures which have taken place for years and years? When we were taking evidence before the Joint Committee, we examined the Director of Investigation and we found to our amazement that for three or four years, the documents were lying with him seized and he was not able to assess what income was concealed. Do you want this sort of process to go on *ad infinitum* and *ad auseum*? It is easy to catch hold of people, it is easy to seize documents. But it is very difficult to pin down that this is the total concealed income. It is very difficult to penalise a person and send him to jail.

They have been doing all that, I ask them: How many people they have sent to jail despite their best efforts? How many people have been penalised? So many raids and searches have taken place. I want to know how many assessments they have been able to finalise. If they have not been able to do it, what is the use of saying, "You are coming out with a measure which puts dishonest people at a premium." With this measure, the Minister has been able to collect more and more taxes. So, this is the best fiscal measure. This is the criterion.

Let us consider the salient features of the Voluntary Disclosure Scheme. Mr. Sequeira made certain comments which made me feel that there appears to be certain misapprehension about what is contained in the Voluntary Disclosure Scheme. There is no such provision which entitles a person to

make a disclosure in different names. There is a complete misconception in his mind if he were to think that a person could go to the Commissioner and disclose it in his name, in his wife's name or in someone else's name. Only a person who is liable to be assessed under the Income-tax Act can be a declarant. If you have disclosed income in anybody's name, that disclosure will be null and void plus the Department will have the information to proceed against it.

If you see the provisions of this measure, they are really imaginative. The people who have been subjected to searches and seizures, to them there is no concessional rate of taxation whatsoever. I am now dealing with the point made by Mr. Sequeira. There is the normal rate of taxation to such people. The only immunity is from penalty and prosecution. Does he know that in the amending Act which we passed in 1975, Section 273A vests the same power with the Commissioner to waive the entire penalty. If the penalty is waived and reduced, the prosecution is also waived and reduced.

SHRI ERASMO DE SEQUEIRA: That is optional, this is mandatory.

SHRI N. K. P. SALVE: That which is optional is given a statutory recognition in this. If the Commissioner is given a discretionary power, it is all right and the Commissioner can be trusted. But to say that Parliament has failed us, if it is given a statutory recognition, according to me, is immoral. What are we talking about?

SHRI ERASMO DE SEQUEIRA: The documents have already been seized, the concealed income has already been found by the Department. The people already caught, are being bailed out by this measure.

SHRI N. K. P. SALVE: I disagree with him. He does not know the difference between the two. There is a slip between the cup and the lip.

The seizure of documents is one thing and the assessment is something different. He seems to feel that once the documents are seized, once the properties are seized, that is the end of the matter and the people will be condemned and sent to jail. That does not happen. The entire law, the case law is there. I do not know what the courts are going to do. I do not know how that is going to impede the work. It is not such an easy thing. It is a terrible thing; it is a very tricky business. It is easily said but it is difficult to understand all these things.

SHRI ERASMO DE SEQUEIRA: He knows better.

SHRI N. K. P. SALVE: If he admits, then he must accept it. I do not say that everything has been done; that this is the end of the matter. Much more needs to be done. I wish he were a little more positive in his approach. Have something done for the people so that they never go to the path of tax-evasion. Let not honest people be forced to go to the path of tax-evasion by certain unimaginative and irrational laws. I wish he talked about those matters. Nothing is said about it. In fact many people are driven to the path of tax evasion because our laws are such; it compels them to resort to methods and ways and means which are extremely unfair and improper. The Wanchoo Committee has itself recommended several things. Many of them have been accepted; many of them have not been accepted. Therefore, I submit to the Finance Minister to ignore what the Hon'ble Members had to say by way of a negative approach and a negative criticism. But I wish to suggest a few methods by which we can re-orient our entire direct tax laws on a scientific basis. I submit that if the fiscal laws are to yield the best results, we need to rationalise our tax laws completely. In that connection, I wish to make a few suggestions straightway to the Finance Minister.

The first and foremost thing is that, for a scientific re-orientation, we

[Shri Erasmo De Sequeira]

would want a research cell and a proper and a full statistics collection machinery to be set up. The existing working of the Directorate of Statistics and Figures and Information is extremely unsatisfactory. Today, the levy of direct taxes has become a fine art and a science in the western world. The whole theory of increasing taxes to augment the revenues has been despatched to the limb of an exploded myth. Today, the latest theory is to raise tax to a point where you collect the maximum tax, beyond that point, when you reach a point of no-return, either revert back or go up to it. You need to have a scientific approach and attitude in the matter and you cannot have a scientific approach and attitude unless you have sufficient data, information, and material. In that respect, our Department is hopelessly deficient.

Secondly, I submit that we need to rationalise tax on personal incomes. So far as corporate taxes are concerned, in our country they get away very cheaply. The study made by the Reserve Bank of India revealed that about two or two-and-a-half years ago, the effective rate of tax of the companies never exceeded 40 per cent. So, the monopoly houses and rich people who are operating through the veil of a 'corporation' get away by floating companies and pay only 40 per cent tax; but so far as individuals are concerned, the rates of taxation reached the dizzy heights of 97.75 per cent. In fact, the Wanchoo Committee itself was exceedingly critical of this sort of rates of taxation, and they had, in their report, pointed out:

"When the marginal rate of taxation is as high as 97.75 per cent, the net profit on concealment can be as much as 4,300 per cent of the after-tax income. The implication of 97.75 per cent income-tax is that it is more profitable at a certain level of income to evade tax on Rs. 30 than to earn honestly Rs. 1,000. We will not be surprised

that placed in such a situation, it would be difficult for a person to resist the temptation to evade taxes."

I am not subscribing to this view without reservation and qualification. I submit that we have to use our direct taxes as an instrument to eradicate disparities in our wealth and opportunities. In our economic wealth and economic powers, disparities have to be eradicated effectively through the instrumentality of our direct taxes. I submit that this can be done only if more and more taxes are collected by way of direct taxes, but to consider that high rates of taxation will mean the maximum or optimum taxation is an incorrect concept. Determine that point at which you will have the maximum collection and also permit the optimum saving. You will have to have a very scientific approach where you allow the optimum saving and the maximum collection for the Revenues. That is the best situation; that is the best condition by which we would be able to invest and people would be able to save moneys which the Government must statutorily harness into productive channels—for more and more production—and not let it be available to people for conspicuous consumption. I hope that, if he is thinking of some laws and if rates are ever reduced, those rates are not reduced whereby people are allowed to spend money on conspicuous consumption and for vulgar expenditure like marriages and things like that, and only those people will be given relief who will be diverting their savings into productive channels and into such channels which, according to Government's priorities, have to be given priority.

I submit also that there has to be rationalisation of taxes. The first one I want to submit is about what is referred to by the Wanchoo Committee also as the ceiling on disallowances of business expenses. Certain legitimate, genuine business expenses are sought

to be disallowed statutorily. Nothing is more irrational than that. I cannot understand that at all. Parliament enacted it to prevent abuse of entertainment expenses. All over the world, business people have to indulge in entertainment expenses. In our country, the monopoly houses and the large business people started running their own houses indulging in all sorts of wasteful expenses and debting them to the company's account. Parliament made a law that entertainment expenses should be disallowed. As a result of that, what has this Department done? Recently, I had an opportunity to see a case where an assessee made a profit of Rs. 1 crore, and the amount of Rs. 2,000 and odd which he had spent on serving tea, coca cola and things like that by way of extending the ordinary courtesies to the people who came to his office was disallowed. If it was allowed by the Appellate Commissioner, the Department would fight it in the Tribunal or the High Court or the Supreme Court. What sort of attitude is this? Is it fair that you would not allow Rs. 2,500 to be spent on serving tea, etc.? Are they human Robots or are they human beings doing business? You have to be reasonable. By no means, allow lavish entertainment in 5-star hotels; do not allow alcoholic drinks. But, certainly, there are certain basic courtesies which are to be extended by a human being to another human being, by one businessman to another businessman. All over the world, this is accepted. This sort of expenses has to be allowed. There are very many expenses of this nature which are sought to be disallowed. These should be allowed.

The second point is about donations to political parties. Is there any rationale why donations to the political parties should not be deducted? As Chairman of the Select Committee on the Taxation Laws (Amendment) Bill, I can say there was a time when all the opposition Members were agreeable and they had said, 'Unanimously

we shall recommend to the Government that political donations should be allowed'. But, unfortunately, there came a movement, the movement of Mr. Jayaprakash Narayan, and all the Opposition Members started saying, 'No; we cannot recommend this sort of thing'. What sort of hypocrisy are we indulging in? What sort of double standards are we building for ourselves? Can the Members who oppose the scheme keep their hand on their heart and say that it would not be healthy to the political growth of the country that political donations are allowed instead of forcing all the political parties to take these donations underhand and making accusations against one another? In fact, the Law Minister has given an assurance on the floor of the House that donations to political parties will be allowed.

There is one more point. There is an extremely maligned community and that is the community of the film world. The film people are indulging in all sorts of large scale tax evasion. No one who indulges in tax evasion should be shown any mercy; about that, I make no mistake. But there are certain basic irrationalities about their taxation. We, Members of Parliament, are allowed certain expenses, we receive a salary of Rs. 6,000 a year and out of that, about 20 per cent is allowed, whether we maintain any record or not. We are incurring an expenditure much more than that. But, so far as the film artistes are concerned...

SHRI S. M. BANERJEE (Kanpur):
Are you getting Rs. 6,000 or Rs. 10,000?

SHRI N. K. P. SALVE: I hope, Mr. Banerjee will put that question to the Finance Minister. I would not be able to answer that. Be that as it may, we are allowed a 20 per cent deduction because we do incur that expenditure. None of us can maintain a record. The film artistes live in a very strange sort of world; they live under the glare of arc-light and glamour and

[Shri N. K. P. Salve]

they have to incur a certain expenditure to maintain themselves and to project a certain image of themselves. Let us face the realities. Therefore, I submit, to induce them to a correct path, to induce them to pay correct taxes, they may be allowed a deduction of 20 per cent.

AN HON. MEMBER: Why not 30 per cent?

SHRI N. K. P. SALVE: Let us be realistic. It is very easy to moralise on tax matters. But one has to be a hard-headed realist. If you do not allow this sort of expenses, what will happen is, he will continue with the expenses and will never show them in the books of account, he will never show them officially, do whatever you may like. Therefore, either tolerate that sort of affair or properly rationalise the matter, so that, if some one gets Rs. 10 lakhs, he gets a deduction of Rs. 2 lakhs. In fact, he would have a vested interest in showing larger gross receipts because the larger the gross receipts the larger would be the exemption.

SHRI K. GOPAL (Karur): Why only film people?

SHRI N. K. P. SALVE: Because it is a much-maligned community. The actors, the directors, the music directors, the play-back singers, etc.—their knowledge of these things is very limited. If you are keen and if you are anxious, you can maintain. Professionals can maintain their accounts. I get much more than 20 per cent because I can maintain my records. I get from Rs. 7,000—8000 deduction for my constituency expenses, but you get only Rs. 1,200. But if you can maintain accounts properly, you will get much more deduction. But you do not have this kind of any such expenses, so you do not get anything

SHRI ERASMO DE SEQUEIRA:
This is a very rash statement.

SHRI SOMNATH CHATTERJEE
(Burdwan): This is where the censorship will help him.

SHRI N. K. P. SALVE: In the end there is only one suggestion I have to make. In this amendment Act which was passed here, the Government for reasons not mentioned anywhere, have flouted one of the very important recommendations, a unanimous recommendation of the Select Committee that investments in the Trust if made out of the corpus must not disqualify the Trust from exemption of income. All sorts of manipulations were done by the Trusts so far as incomes are concerned. Birla & Co. floated many public trusts and instead of diverting the income to charitable purposes, they started building guest houses. In fact it was misused—this income. In this case, virtually charity for them started at home. Therefore, what was required to be curbed was that so far as the income is concerned, which is sought to be abused. Instead of that, there should be no option given to the Trust to put it to any investments. It must be utilised in that month itself for the purposes of the Trust. But, so far as the corpus is concerned, if a person has got some shares, suppose, if I have got some five shares and if I want to put it in a public trust, why do you want to prevent it? There is nothing wrong. You are not giving me exemption from the corpus of the trust. But the Government have said that the Trust cannot acquire shares. You cannot make a donation of the shares because the moment you make a donation of the shares, whatever income accrues, that will not be entitled to exemption. Is there any rationale in it? You are wanting evenues for more and more investment because without more and more investment, we will not be able to bring about a proper growth. I submit the Minister will look into this.

Before I conclude, whatever he has achieved, we cannot minimise the importance of the conditions created by

Emergency. It is the Emergency which has ushered in an absolutely new era, a golden era where people are more responsible and more responsive and if it was not for that, he would not have been able to achieve the success. I ardently hope that whatever are the gains of Emergency, we will be able to consolidate and benefit out of it in the days to come so that the vulnerable sections, the weaker sections, the under-privileged sections do get the best which they have been denied all these years.

SHRI SEZHIYAN (Kumbakonam).
The objective of the scheme of voluntary disclosure has been stated:

“to give an opportunity to persons who had evaded tax in the past to disclose their concealed income and wealth, to pay taxes thereon on reasonable terms and return to the path of civil responsibility in future.”

When so many wonders are claimed to have been done in the name of Emergency, when the workers and the common people have been asked in a stern way to come to the path of responsibility and discipline, why not under the same emergency bring the same responsibility to the tax-dodgers, the black-marketeers and other anti-social elements? This is a thing which I am not able to comprehend. The laws and the attitudes are very sharp, harsh, and stringent against the workers in claiming bonus or in their right to strike to get a redressal of their just grievance why you should not show the same harshness against the tax-dodgers and bootleggers is a thing which passes my imagination.

It has been stated in this House also that during the last week of September, 1975 that large transactions of *pugrees* in respect of fashionable flats in Bombay were discovered and that negotiations were carried on by well-known persons. It is also noted that the Chairman of the Board of Direct

Taxes had been to Bombay personally in the first week of October. I do not know what studies he made, what negotiations he conducted or what representations he received. But, in the end, we were presented with an ordinance followed by an amendment.

It is not a new thing. In 1951, we had a voluntary scheme called the ‘Tyagi Scheme’. In 1965, we had two voluntary disclosure schemes known as T. T. K. Scheme. Apart from these attempts, Section 271(4A) permits voluntary disclosure scheme as a normal feature.

The Wanchoo Committee which has been quoted here by many hon. Members was very categorical in its opposition to the idea of introduction of any general scheme of disclosure either now or in future. They have pointed out that ‘the general feelings is that such a scheme places a premium on fraud or as unfair to the honest tax payer.’ Unless there is an abnormal situation such as after the war or at a time of national crisis, there is no justification for an extraordinary measure of disclosure scheme. Two days ago, the Public Accounts Committee placed on the Table here a Review on the Income-tax Department for the past one decade and made it clear:

“If the vigour with which searches and raids are being presently conducted and the amount of black money unearthed is any indication, it appears that if the normal duties of the department had been properly and efficiently performed there should have been a greater compliance by the tax-payers and higher realisation of receipts in proper time.”

The same review put on record:

“Unfortunately, the Income-tax Department appears to be managing its affairs by what might be dubbed the principle of Management

[Shri Seyhliyan]

by Crisis' rather than 'Management by Objectives'.

That is what the Public Accounts Committee which comprises of members of all the parties in the House has to say about the efficiency of the Department. Thus, the success of a voluntary disclosure scheme is a reflection on the improper and inefficient performance of the department and the management by crisis.

Regarding the amount of wealth and income reported to have been brought out by the present scheme, figures have been given from time to time. On 25th December, 1975 the figure of voluntary disclosures given by the Chairman of the Board was Rs 150 crores. On 28th December, 1975, the figure was reported to have crossed 300 crores. About two days later, on the 30th December, 1975 it was disclosed that the amount had exceeded Rs. 600 crores. On 31st December, 1975, it was reported that the scheme had resulted in over 1100 crores. On 2nd January, 1976 when the Minister went on the air, he gave the break-up of Rs. 750 crores income and Rs 700 crores worth of assets as disclosed by the scheme. He also gave the resultant estimated tax figure of Rs 250 crores with Rs 40 crores to be put in approved investment. Thus within a short period about Rs. 1500 crores have come out.

I admit that this figure is very impressive. If a sum of Rs. 1500 crores was to flow suddenly into the economy of a country, will it be able to tolerate it? It will be a veritable avalanche, it will be a surge of the sea into the land; it would be a cloud outburst on the area. What has happened? If this amount of Rs. 1500 crores has been injected within a period of two weeks into the economy of the country, the Reserve Bank should have withdrawn an equal

amount from the circulation, otherwise the economy would have collapsed; there would have been steep inflation. These two things have not happened. The Reserve Bank has not withdrawn the amount and the inflation has not been felt. My plea is, that we should be given actual break-up of this Rs. 1500 crores; how much is the actual amount that has been unearthed. My fear is that there may be repetitive counting in this. I know a specific case reported to me in Madras. A cinema star had given the value of a property as Rs 4 lakhs. That was under investigation. The Department put it at Rs. 8 lakhs. A compromise has been struck and now it has been settled at Rs. 6 lakhs. What they do is, they take it for eight years. If the wealth tax assessment related to eight years, they would take it Rs. 6 lakhs multiplied by eight years, that is Rs. 48 lakhs, whereas the real wealth unearthed is only Rs. 6 lakhs. That is repetitive counting. For tax purposes, it is correct, not otherwise. I would, therefore, like to know how much recommendable to some portions of taxation crores

The previous voluntary disclosure schemes were put in operation under the taxation laws, but now we have got a Bill comprehensive in itself. It does not rely on any other taxation laws. Earlier disclosures were amenable to some portions of taxation law.

For example, there is no restriction in the present Bill about the period over which the amount can be spread over. As per the present Bill the income shown can be spread over from 1922. The spread over will never be questioned. Suppose a person gave a figure of wealth 20 years ago, now it will automatically be multiplied by 20.

We should have a detailed break up of the figures for the three slabs, namely incomes disclosed not exceeding Rs. 25,000, exceeding Rs. 25,000 but

not exceeding Rs. 50,000 and exceeding Rs. 50,000.

It is certain that most of the disclosures have been declared under the first slab of Rs. 25,000. Otherwise with Rs. 750 crores we would have got Rs. 400 crores. If it goes beyond Rs. 50,000, then even with Rs. 750 crores, it would have been at least 50 per cent more.

It is certain that most of the disclosures are in the first slab. Many of the disclosures should have been made under Benami names.

I would like to quote from 2.29, page 12 from the Wanchoo Committee Report. I am sure Mr. Salve would have read—

“Disclosures made in the names of minors, ladies and benamidars have, on the other hand, contributed to perpetuating evasion, and rendered investigation in many a case of suspected tax evasion difficult or even futile.”

Therefore, whenever the large amount is being distributed over a number of years and through a number of persons—Benamidars are bound to come up—it is very difficult for the Department to go into that.

It has further been mentioned in the Wanchoo Committee Report—

“We were further informed by the Central Board of Direct Taxes that there were several instances of the same set of persons taking advantage of all the three disclosure schemes.”

I would like to know from the Minister how many persons who availed the previous disclosure schemes, have availed the present scheme also.

The other day Dr. V. K. R. V. Rao was very enthusiastic about Rs. 1,500 crores (Mr. Salve was also very enthusiastic) being available for capital

formation and investment for industrial growth. I would like to know what is the amount that has been put into economy and how much tax has been collected and put in public exchequer upto 31st December. It is well known that the black money has not been kept in cash alone. It has been converted into property, gold, jewellery. What is the amount that has been brought into operation in economy? Rs. 1,500 crores is not the correct figure.

Black money in the form of cash is avoided. If you are taking into account the other things or sources, then you may get estimates. You may not get money to flow into the national economy. Please let me know how much is the money in cash.

This has been pointed out by the members who spoke earlier too, and I want to stress that the present scheme is a fraud on the honest tax payer. A tax dodger has the best of both the worlds. During the time of evasion, he did not pay the tax nor surcharge nor the interest for the late payment. Over and above, these “benefits” appropriated by himself in an illegal way, the Government now in a legal way allows him some more “benefits” in the form of a low rate of tax. In 1974-75, the rate for the highest slab was reduced. For instance, an assessee having an income of Rs. 1 lakh had to pay a tax of Rs. 53,559, that includes surcharge. If he had waited for some more time he would have had to pay only Rs. 46,250. This is so in 1973-74 and 1974-75. If you take the earlier years when you have 96 per cent rate at the top slab, the difference could be even more.

The present scheme only honours the dishonest people, gives a premium on dishonesty and at the best or at the worst, if you put it on the same scale, as normal person, I would accept. But here if a person dodges payment of tax he pays for Rs. 1 lakh, Rs. 46,250 and if he is honest he would

[Shri Seyhiyan]

have paid Rs. 32,500. I fail to know what the logic behind these things is.

I do not know why the payment of tax under the voluntary disclosure scheme could be made by instalments. He has not disclosed for so many years. Till 1975 he has evaded the tax. Instead of treating him as anti-social, why is he being allowed to pay this in instalments, I do not know. Why should this leniency be shown?

Over and above all, instructions have been issued regarding conversion of search and seizures into this disclosure scheme. Section 14 has been put there. This is certainly a contradiction in terms. Government has made investigations and located the source, it gets there and seizes the amount, both income and wealth, and this should be taken as certain seizure and treated as such. But why that should be treated as a voluntary disclosure, I fail to understand. It is beyond the comprehension of anybody. Of course, to Mr. Salve, who is an eminent tax consultant in this House, nothing can be gained if you make any number of such seizures; for him this is a perfect way to do this, etc. What is the logic, I fail to understand. Is voluntary disclosure scheme going to be a permanent feature in our statute book? At no time you are compelling the man who refuses to pay. At no time you take action against the tax dodger, against anti-social elements and blackmarketeers who thrive on miseries of people, who cause starvation deaths in many homes. You are not doing that. Emergency is being sought to impose certain discipline in the minds of the people. Emergency is meant for an abnormal situation. This voluntary disclosure step should have been an abnormal one, but by making it like this, every 10 years or 15 years, you are only normalising this. If we agree with Mr. Salve who said that any amount of moralisation will not do, then only immorality will

gain ground, only dishonesty can have a say, only the person who loots will rule. What salvation persons like Mr. Salve give to the country, I don't know.

It has been reported in the Press that the Finance Minister Mr. Subramaniam has written to the State Governments not to proceed on sales tax collections on the transactions involved in those disclosures. I want to know the propriety and the constitutionality of this instruction. Has the Finance Minister got the right to say to the State Government that they should not collect the sales tax which is due to them? Can he say, because of emergency, I have got all the powers, I can issue any amount of directions, etc? I want to know the constitutionality and the propriety by which he gets the powers to ask the State Governments not to collect the sales tax on the transactions involved in these disclosures.

Sections 69, 69-A and 69-B are the well-known sections in the Income-tax Act and they allow the unearthed income to be taxed for that year only. Whenever any amount is unearthed, that amount has to be taken as an income for that particular year and this is not allowed to spread over for so many years. But, under the present scheme of voluntary disclosures, a declarant can spread it over a long number of years avoiding the higher slab of taxation, surcharge, advance tax payment and interests. Suppose the man has now declared the income. He was dodging the tax for about 10 or 15 years. The interest that has been saved by him on the tax avoided would have given double the amount.

I want to know how they are going to distinguish between wealth and income. Under the present scheme, suppose a person has accumulated wealth in gold jewellery, etc, and so much of amount is found in him. He gives a declaration that this is his income and this is his wealth. Wealth

will attract only a small percentage, whereas an income will attract a higher percentage of tax. Who will investigate that? How are you going to sort them? What is the method that you have got or norm that you are going to put? I am afraid that when you say Rs. 1,500 crores has been split into two, in that case, you will not go into the source. How many persons are going to file the returns? In that case everybody will go scot-free in this blessed country which has been put under emergency and also because of these two ordinances.

In its attempt to cajole the dishonest, the Government itself becomes dishonest. The blackmarketeer who held the poor people to ransom and brought misery and starvation to numberless homes now gets away with a favourable tax and treatment.

There is another anomaly. You are putting a premium on the dishonest man and the honest man is punished. You are discriminating among the tax-dodgers themselves. If gold has been seized under Income-tax and Wealth Tax Acts, then the declarant can get the benefit under the present Bill. Suppose the gold seized under the Customs Act or the Gold Control Act, that does not get the benefit under the Bill. What is the logic? The same offence has been committed by two persons but just because Government took it in its head to go against him under the Income-tax Act or the Wealth Tax Act, he gets the benefit but if it is taken under the Customs Act or the Gold Control Act, the other will not get the benefit. On this I would like to have a clarification from the Minister.

In the end, I have to say that this is not a voluntary disclosure of income and wealth but this is a voluntary surrender to dishonest, fraudulent practices and anti-social elements in the country. The voluntary disclosure scheme is only a victorious dishonesty scheme.

SHRI S. R. DAMANI (Sholapur):
Mr. Deputy-Speaker, Sir, before I touch some of the important points made by my hon. friends from the Opposition, as my first duty, I would like to congratulate the honourable Minister for his courage and also the Chairman of the Direct Taxes and his colleagues for the splendid success achieved under the voluntary disclosure scheme.

My friends who had taken a long time only found fault with the scheme. I think that even eminent persons like Shri Sezhiyan and Shri Chandrappan could not offer suggestions as to how this tax evasion could be avoided in future. But they have not. Sir, their policy is to criticise the Government and from the very beginning they are sticking to this policy of criticising the Government. Sir, our Prime Minister on many an occasion sought their cooperation and has asked them to give good suggestions for the national causes but it seems they do not want to cooperate and only criticise. If criticism is going to fulfil the aim they may feel happy but that will not bring any major results.

15.00 hrs.

Sir, they have pointed out the disadvantages of this scheme and I want to lay emphasis on the advantages which this scheme has brought to the country. Before I proceed on this point, I would like to say that it was very essential that when Taxation Amendment Bill came into force a chance should be given to those persons to come forward and declare their unaccounted income. Secondly, the huge amount that is utilised for other purposes can be utilised for the productive purposes.

As I have already said, I will indicate the advantages of this scheme. In the previous two schemes the response was very poor and under this scheme about 1,600 crores of wealth have been disclosed and the Government will get

[Shri S. R. Damani.—contd.]

Rs. 300 crores by way of taxes only and another Rs. 50 crores as investment in Government securities. So, within one year the gain of revenue is to the extent of Rs. 350 crores. According to my calculations every year revenue to the extent of Rs. 100 crores will increase on account of these declarations of wealth. So, the advantages are: (1) declared amounts will now be put to productive use; (2) it creates more wealth and a larger revenue; (3) increase in wealth tax collections in future years; (4) containing inflation; (5) less litigations and (6) more assessee added, recurring gain for revenue collection.

Sir, my friend has said that before introducing this scheme some raids were stopped in certain areas. I think the scheme has been successful because vigorous efforts were made and there were continuous raids on those persons where huge wealth was suspected to be available. Therefore, no leniency was shown. It is the continuous effort that has brought this huge disclosure of Rs. 1,600 crores. It is not a small thing. Sir, the reason as to why the previous schemes were not successful and the reason as to why this scheme has been successful is because of the efforts on the part of the Government and their cracking down on the smugglers very severely during the last year.

Secondly, the crack down on smugglers, the check on hoarding, and action against foreign exchange violations and above all the internal emergency had brought the above result. If the Government had not taken those steps, I think the results would not have been produced. Those actions made many persons nervous and so they came forward to disclose their own income. Possibly if the scheme had been extended by two or three more days, the amount would have reached the figure of Rs. 2,000

crores. But Government also had to stick to certain announcements and so it was not thought desirable to extend the time. I think the scheme has been successful on account of the measures taken by the Government in unnerving those people who had unaccounted money and this is going to help the country in the long run. But what should be the policy of the Government I feel that they should devote attention to the constructive side and see what the tax policy should be so that in future the Government could collect more revenue and stop evasion. In this connection I shall refer to what some eminent economists had to say. Nicholas Kaldor who studied our problems submitted a report in 1956 and he says:

"From the point of view of economic effects of taxation, the major consideration is to prevent a tax system from becoming too much disincentive on efforts, initiative or enterprise. Taxes on income make it less attractive to undertake work or to risk capital in productive enterprises."

Taxation system should leave some incentive to work; it should not be so high that it becomes a disincentive for people taking risk. That is the criteria which should be kept in mind while thinking of the rates of taxation. There should be some saving after paying taxes so that it could be utilised for productive purposes and creating more employment, and developing backward areas. To quote Prof. Kaldor again,

"Assuming a comprehensive tax-base, the marginal rate of income-tax ought never to exceed, in my view, something of the order of 40-50 per cent for income that is both earned and saved... an annual tax on wealth, conceived as a progressive tax, ought not to exceed a top marginal rate of 1-1 and 1-2 per annum."

Suppose a person earns Rs. 2 lakhs, after paying taxes he will be left with Rs. 30,000 or 40,000. In a developing country like ours, some kind of deficit financing is bound to be there and it will lead to increase in prices. In that context, how can we save money and put it in productive enterprises after paying tax and still have sufficient amount to meet day to day expenses? There should be something left for investment in productive purposes.

Therefore, Sir, it is but natural that we try to save something for the future. But here the people use their intelligence to evade taxes. It will be good if the rate of taxation is such that it gives incentive to pay taxes and to have some saving for productive purposes.

MR. DEPUTY-SPEAKER: You have been given more than 10 minutes. Kindly finish your speech.

SHRI S. R. DAMANI: Secondly, Mr. Boothalingam in his Report of 1967 while recommending Exemption limit to be raised to Rs. 7,500 stated and I quote:

"An adjustment for marginal cases will be that the tax shall not exceed forty per cent of the amount by which the taxable income exceeds Rs. 7,500." unquote.

Thirdly, the Wanchoo Committee's Report of 1971 has expressed the view, and I quote:

"Having considered the matter in all its aspects we recommend that the maximum marginal rate of income-tax, including surcharge, should be brought down from its present level of 97.5 per cent to 75 per cent. We recommend that some reduction in tax rates be also given at the middle and lower levels. In order to create an impact, the reduction in the rates of taxation should be at one stroke."

Sir, for the last many years, we have been witnessing more and more taxation. That shows that people will have to pay more taxes. But as the Indian economists said, more and more taxation would not help. My last suggestion is this that the Income-tax Department should try to find out new assesseees. Instead of taxing the same people every year and burdening them with higher rates, the Income-tax Department should try to bring in more and more assesseees under the tax net.

SHRI VASANT SATHE (Akola): Sir, I rise to congratulate the Minister for bringing this excellent measure. It may have some lacunae but I do not think that it is at present worthwhile mentioning them. This is the first time that a measure like this has been brought forward for plugging the loopholes in the present Act. This has given a bounty which was not even foreseen or imagined. According to our past experience, we had collected less than Rs. 80.0 crores under the old voluntary disclosure. People thought that under the present measure we might at best, collect Rs 400.0 crores; but here is a bonus given to you—as far as you are concerned, bonus is not abolished—and you have got Rs. 1500.0 crores. Therefore, I congratulate the Minister. But please do not suffer from complacency. What you have got or the disclosure that has been made is like an ice-berg. What you have seen is only a tip of what is down below. My learned friend, Taxation Law expert, Mr. Salve, has said that there are no scientific estimates of what the black money is in this country and no scientific estimates are possible also. Therefore, we have only to rely on scientific estimates as quoted by the Wanchoo Committee itself.

Mr. Salve was Chairman of the committee appointed to suggest ways and means to unearth black money. The first task was to know how much black money was there. According to the Wanchoo Committee's projection,

[Shri Vasant Sathé]

even in 1966-67 was Rs. 1,400 crores. With these projections for the future, the amount stood at Rs. 7,000 crores. Today it would be anywhere near Rs. 20,000 crores. As pointed out by the Wanchoo Committee, this amount of Rs 20,000 crores is not lying hoarded anywhere in the form of currency etc. It has already been converted into assets like skyscrapers, jewellery, Vasant Vihar places etc. and also into agricultural income. So, it is sufficiently diffused all over the country. As I said, what has been disclosed is only one-eighth of the total you will have to find out ways and means to unearth the balance.

Under section 16 you say that the gold disclosed shall not be liable to confiscation under the Gold Control Act or the Customs Act and no penalty will be imposed on the person making the declaration. What are you going to do with that gold? On that you will get some tax, but that also you have reduced by 50 per cent. This is putting a premium on default. Can't you think in terms of having some sort of gold bonds? Don't be discouraged with your last experience of gold bonds. After all, last time the voluntary disclosure scheme also did not succeed but this time it has succeeded. So, my suggestion is, introduce gold bonds. Today there is so much gold in the country—gold disclosed under the voluntary disclosure scheme and gold available otherwise also. The Reserve Bank cannot use this gold for international backing of our currency. Why not allow the Reserve Bank to take advantage of the gold available in the country by issuing gold bonds? Apart from the little gold which may be held by small people as security for some emergencies, what about the gold with the multi-millionaires in the form of jewellery and even primary gold bars? Why can't we make use of that gold?

Another thing that I would like to ask is, what about the jewellery that

you are having? I am told that one of the princely houses has got jewellery which runs into hundred of crores of rupees. Therefore, in one house alone, somebody has said that it runs into Rs. 1,500 crores. You have a national museum of this ancient jewellery because its value is tremendous in foreign countries. Otherwise, it is of no use.

Now, agricultural income. The agricultural income is being used as the base to defeat taxation and also to defer that money. Therefore, exclude small farmers, marginal farmers, 10-acre-wallas and 15 acre-wallas but those who have big land holdings and those who have other business and agricultural property, why can't you tax agricultural income?

How are you going to move further to see that the undisclosed income lying in this country is put to the use of the people.

I am personally of the view that taxation is essentially a phenomena of capitalist system. As long as you think of taxation, you are thinking of capitalist system and perpetuating a capitalist economy. If you are thinking of moving to socialist system suitmg to the Indian genius as well, you will have to think in terms of not having this system at all. In a socialist system, there is no such thing as taxation. But as long as you are having the capitalist system, rationalise taxation. That requires courage. Rationalisation means reduce the upper limit of taxation. I would say that the personal tax should be reduced to 57 per cent from 77 per cent today. You do that, does not matter. Having done that, you say that the maximum tax is on those who are the defaulters. But you say that the rate of tax would be 60 per cent on voluntarily disclosed income. That means, it is going to be 60 per cent for a defaulter and for an honest man it is 77 per cent. You can reduce it; I will compromise with you. You can

make the upper limit as 60 per cent for all. The lower limit should be raised at least to Rs. 10,000. You can make it as Rs. 12,000, but the minimum must be Rs. 10,000. Having done this, once you do have a rationalized system, you should think in terms of one-point taxation. To-day, there is proliferation of taxation i.e. in various forms. You have the excise duty, sales tax, income tax and the road tax. On how many points do you want to have taxation? The more the points of taxation, the greater is the scope for corruption; because at every point you put a man; and that man can easily be corrupted and influenced. Therefore, can't you think in terms of one-point taxation, i.e. at the level of production, and in business, at the level of distribution? You should tax at one point somewhere. So much of time and energy can be saved if there can be one tax on roads.

SHRI DINEN BHATTACHARYYA (Serampore): What should be the source of taxation for film artistes?

SHRI VASANT SATHE: What would Mr. Dinen Bhattacharyya like to suggest? I think Mr. Salve is the best authority for that purpose; he knows the film artistes, actors and actresses better than I do. He should suggest the point at which they should be taxed. Before concluding, I would like to say that you should have ceiling on urban property. It is no use your talking of black money. Black money is converted into some form ultimately. Only in two ways, i.e. either in production or distribution, is it generated. Where wealth is generated, black money is also generated from there. Money is what money does. Therefore, try to have a control at these points, viz. production and distribution. Secondly, have a control on the ways in which it is transformed. When I say that we should have a ceiling on urban property, you should not have that fraud, viz. of a ceiling only on vacant land.

That is absurd and an eye-wash. If you really mean business and want to have a ceiling on urban property, the word 'property' must mean property complete. You should take action against those who have purchased, with black money, land and built skyscrapers in Bombay and Calcutta. Therefore, there must be a ceiling on urban property, whatever the form may be. Once you have done it, where will the black money go? You will then be able to control it at both the ends, viz. at the end where it is generated and at the end where it is transformed and used to exploit the society further. Therefore, ceiling on urban property is a condition precedent to any effort to stop the growth of black money in this country.

SHRI DINEN BHATTACHARYYA: All these things will not come in the paper.

SHRI VASANT SATHE: As long as I can persuade the Government, I don't mind if not a thing appears in the papers. One more suggestion that I would like to give is that we should have management control. After all, in industry where wealth is created, where does the mischief take place? It takes place with the help of men like Mr. Salve; that is at the origin. And later, it takes place with the help of persons like my friend Mr. Chatterjee, in the court of law.

SHRI SOMNATH CHATTERJEE (BURDWAN): We operate in a court of law; he operates elsewhere.

SHRI VASANT SATHE: But we are all operators!

SHRI N. K. P. SALVE: We cooperate in every case.

SHRI VASANT SATHE: The trouble is that it is concealment of real income. Whatever is real production, that is concealed; real income is concealed. False balance

[Shri Vasant Sathe]

sheets are prepared which are certified by chartered accountants and so they are considered as sacrosanct as it were. That is how blackmoney is generated and grows. We have to change the structure of management.

We are now talking of the 20-point programme and workers participation in management. Let the workers be real partners in the management in the sense of top management, in the Board of Directors then they will so it that the management does not conceal real production and real income. Also, since 80 to 90 per cent of the finance of the industries is from the public financing institutions, they should also have control over the management. If the representatives of financial institutions have effective control over the management, then evasion can be stopped at the source itself. That is the last suggestion I want to make.

Sir, while thanking you for giving me an opportunity. I hope the hon. Minister will take note of these suggestions and will try to satisfy us.

SHRI VAYALAR RAVI (Chirayinkil): Mr Speaker, I fully agree with the action taken by the hon Minister and disagree with the Resolution.

The hon. Member, Shri Chandrapan; made a very long speech. Even though he abused and accused the Government he never gave any suggestion to remedy the situation, to plug the generation of black money and bring to the open the black money already in operation from the hidden sources.

SHRI DINEN BHATTACHARYYA: He referred to the Wanchoo Committee Report.

SHRI VAYALAR RAVI: The Wanchoo Committee report is not a bible. One may agree or disagree with it.

Shri Chandrapan was saying that there is black money in existence to the extent of Rs. 7,000 crores to Rs. 14,000 crores, I fully disagree with this kind of calculation. It is not a question of calculating the quantum of black money in circulation. It is being generated in the country at every moment because of certain economic difficulties or situations. The question is not whether the black money in existence is of bigger quantum or smaller quantum but how the generation of black money can be prevented and, secondly, how to bring out the existing hidden black money.

I think it is very unrealistic to try to quantify the black money in existence. What is the state of the Indian economy? More than 50 per cent of it is agricultural economy. If you take into account the national growth and arrive at the total income and, on that basis make a measurement of black money, it is absolutely wrong. What about the Indian masses, the poor and middle class people? Further, we are not taking into account the quantum of money in the form of gold in the hands of the people. Does Shri Chandrapan say that these Rs 14,000 crores of black money is in the hands of the 70 big business houses? I do not believe he means that. So, it is unrealistic to give some calculation, whether it is Rs. 7,000 crores or Rs. 14,000 crores.

This Bill had the effect of bringing to the open Rs. 1,400 crores of black money.

First of all, generation of black money should be plugged at the source. Therefore, I would like to know from the hon. Minister what

follow-up action is being taken. Is this the end of everything or the beginning? I want this to be the beginning of many things to make our economic system develop on proper lines.

I disagree with Shri Sathe when he suggested that by putting some Members on the Board of Directors Government will be able to check the generation of black money in the industrial sector. For example, Government have nominated some Directors on the Board of the "Times of India". Do you think that because of that their management is following the expected norms? I have heard stories how the Directors there are spending a lot of money and leading a luxurious life. Such Directors will only enjoy the benefits of black money. So, what is needed is proper follow-up action.

The public sector is not creating black money, but its contribution to the Indian economy has to be taken into account while considering this problem.

Shri Dinan Bhattacharyya said that there were certain reasons for the generation of black money, but the question is how to put an end to them. The present high rates of 90 and 95 per cent taxation act as an incentive for the creation of black money. Government must, therefore, take a realistic view and should not be ashamed of changing the tax system as suggested by Shri Salve, with whom I agree in this respect.

Coming to contributions to political parties, we are, after all, living in a democratic system, and we have to have political parties. And political parties have to get contributions. I do not know what is wrong in that. The only thing is that at present we are getting black money. That must go, and companies should be allowed to contribute, to political parties. In

fact, we have already passed a Bill to that effect.

I would like to inform Shri Dinan Bhattacharyya that the present Government in Kerala has created an economic cell to see that there is no evasion of sales tax etc., and to check economic offences. His leader, Shri Namboodripad, ruled my State twice. What did he do? His party ruled in West Bengal. What did they do there? They only come here and abuse the Government and the hon. Minister, without making any constructive suggestions.

SHRI DINAN BHATTACHARYYA: Don't ask us here. You should have asked Namboodiripad there.

SHRI VAYALAR RAWI: Mere abuse will not produce results. I, therefore, support the Government and oppose the resolution.

MR SPEAKER: The time of three hours allotted to this Bill will be over by 4.10. I would like to call the hon Minister at 4.15. There are still some speakers. So, if they confine themselves to five minutes each, I will be able to complete the list, because, apart from the hon. Minister, the two hon Members who have moved the resolution have also the right of reply.

SHRI B R SHUKLA (Bahraich): Mr. Speaker, Sir, there is a genuine anger and antipathy against the tax evaders, which have prevented a dispassionate examination of the Bill on merits. The Bill in its scope is very limited. The Ordinance which is sought to be replaced by this Bill was issued on 8th October, 1975 and ended on 31st December, 1975. Therefore, anybody, who has made a voluntary disclosure of his income and wealth during this limited period, is entitled to certain benefits. Those benefits

[Shri B. R. Shukla]

are: that if he has made a declaration and at the same time deposited the tax, produced a proof thereof, invested 5 per cent of the voluntary disclosed income within a month from the date of declaration, he is entitled to certain benefits.

Now, anybody, during this period, during the current year, could take all these benefits. Therefore, there is no discrimination between the honest and the dishonest tax assesseees.

As far as the second point made by Shri Era Sezhiyan about payment instalments is concerned, my submission is that there are tax assesseees who are not in possession of sufficient amount to deposit. Therefore, extension of time has been provided. For that, they will have to pay a simple interest at the rate of 12 per cent per annum.

As far as the third point regarding launching of the scheme is concerned, my submission is that the taxation laws are primarily not penal in their nature. The penal provisions in various tax laws are made to compel the assesseees to make payment within the time and to give correct details of their income and wealth. Therefore, the primary purpose is to facilitate the due payment of taxes. Now that objective can certainly be achieved by the application of the penal provisions of the various enactments. But this mild measure which has been introduced for a limited period is also aiming at facilitating the collection of revenue and taxes. Therefore, this is a sort of compromise between the tax-payers and the Government. Supposing this Bill is not passed, what will happen? Those ordinary laws of taxation will remain in application and in operation.

Mr. Salve has rightly pointed out that in spite of the best efforts of

the tax authorities, the cases are protected in a court of law (Supreme Court). Therefore, during that period, the Government is deprived of early benefits and a lot of money is invested in litigations. Therefore, compromise is a good way of setting disputes and effecting reconciliation. This is a sort of device. This Bill is nothing but a sort of compromise scheme to and disputes expeditiously.

Under this Bill, there would be not any right of appeal or review or litigation. Moreover, the tax will have to be paid immediately, and the money which will be otherwise left with the assessee has also to be partly invested in this scheme.

So far as the smugglers are concerned, my submission is that Government has detained certain persons, under MISA. Those persons who are detained under MISA in connection with the smuggling activities will not be entitled to the benefits of the present Bill, as provided under Clause 21 and this House is going to debate a Bill in regard to forfeiture of property of the smugglers. Under that Bill, the property of those persons who are detained under MISA and who are in possession of huge wealth or property, whether it is in the shape of gold, building or other things, shall be confiscated. They will remain as detenus in the jail. Therefore, there is no concession for such persons. So, this Bill is simply another way of tackling the tax-evasion problem which has assumed colossal shape in this country.

The people do not disclose their income easily. Of course, the ordinary laws of law relating to tax have not been held in abeyance. They remain automatically in force. In fact, in this Bill, there is a provision that if there is any default in payment of tax on the voluntarily disclosed

income, if there is failure to invest 5 per cent in Government securities, the declarant will be deemed to be in default and the ordinary taxation laws of the land shall be equally applicable even to such defaulters.

One thing is very revealing that the income-tax authorities who have failed to enforce the laws as honestly and vigorously as possible are going to be rewarded by the Government. There are three beneficiaries under this Bill. One is the Government because it has got money which remained undetected. The second category is that of dishonest tax-evaders who are going to get certain benefits, such as, immunity from penalty and prosecution. The third category is that of tax-law enforcing official class who are going to be rewarded instead of being punished for failure to bring such tax-evaders to book.

Anyway, it is a compromise measure. It has shown very good results. Therefore, we accept and welcome this measure because the proof of pudding is in the eating and the eating has shown good taste.

With these words, I support the Bill.

श्री मूल शब्द बागा (पाली) : मान्यवर, इस देश में सभी धनवान बनना चाहते हैं, कोई भी गरीब नहीं बनना चाहता। अगर ऐसी ईमानदारी है तो हम को जो 51 रु० मिलना है उस पर भी इन्कम टैक्स होना चाहिए। वह टैक्स से क्यों बरी है? टैक्सेज की चोरी क्यों होती है? कुछ ऐसे काम हैं, कुछ हम लोग टैक्सेज इतने लगाते हैं कि जिस के कारण लोगों को मजबूरन ऐसे तरीके अख्तियार करने पड़ते हैं। एक माननीय सदस्य ने कहा कि यह देश भगवान बुद्ध और महात्मा गांधी का है, इस देश ने कुछ ऐसे मेजर्स लिये हैं कि जिस ने पाप किये हों वह गंगा नहा

ने और उस के सारे पाप नष्ट हो जाते हैं। लेकिन पश्चाताप करने के लिए एक बात कर दी कि वह यह नहीं बतलायेंगे कि तुम ने प्रोपर्टी कैसे प्राप्त की। आप देखिये कि कलाज्जेव (11) और (12) क्या कहते है।

"11. Notwithstanding anything contained in any other law for the time being in force, nothing contained in any declaration made under sub-section (1) of section 3 shall be admissible in evidence against the declarant for the purpose of any proceeding relating to imposition of penalty or for the purposes of prosecution under any of the Acts mentioned in sub-section (1) of section 8 or the Wealth-tax Act.

12. (1) All particulars contained in a declaration made under sub-section (1) of section 3 shall be treated as confidential and, notwithstanding anything contained in any law for the time being in force, no court or any other authority shall be entitled to require any public servant or the declarant to produce before it any such declaration or any part thereof or to give any evidence before it in respect thereof."

यह जानने के लिये आप ने मना कर दिया है कि उस ने किस प्रकार से दौलत प्राप्त की, किस कुकर्म से दौलत इकट्ठी की। और यह भी कह दिया कि किमी भी कोर्ट में उस को खोला नहीं जायगा।

तो इस का मतलब यह हुआ कि जिन लोगों ने अपनी दौलत जमा की गैर कानूनी तरीके से, चाहे तस्करि के व्यापार से और चाहे दूसरे गलत तरीके से, आप को मालूम होने के बाद भी आप उस पर कोई कार्यवाही नहीं करेंगे और उस फंड को कोई नहीं जान सकेगा। यह आप ने बहुत अच्छा काम किया है, सब से बढ़िया काम किया है कि कोई गलती करे और उस को कबूल भी कर ले तो

[श्री मूल बन्द डागा]

उस का नाम छिपा रहेगा। अगर कोई मुझ से पूछे कि कैसे इस को किया जाए तो मैं तो कहूँगा कि हिन्दुस्तान के जितने लोग हैं उन से इन्कम-टैक्स वाले पूछें कि तुम्हारे पास कितनी प्रोपर्टी है और कितनी एम्प्लॉयड प्रोपर्टी है और उस सारी चीज को गजट में शाया होना चाहिए।

यहाँ पर बड़ी बड़ी बातें लोग कहते हैं कि देश में काफी धन छिपा हुआ है। अगर यह चाहें तो सारी दौलत का डेकलेरेशन हो सकता है और होने के बाद सब्जी से इस को लागू किया जा सकता है। अब आप ने क्या किया? इन्कम टैक्स आफिसरों को बोनस दे दिया और उन लोगों की बड़ी तारीफ कर दी कि इतना धन उन्होंने निकलवा लिया। उन्हीं लोगों की गलती के कारण इतनी ब्लैक मनी बड़ी है। अगर आप इन्कम टैक्स आफिसरों को बोनस देते लगे और उन की सराहना करने लगे, तो यह कोई ठीक बात हुई? अब यह जो दौलत बड़ी है, यह कैसे बड़ी? इन्कम टैक्स आफिसरों को सारी बात मालूम होते हुए भी और उन की गलती होते हुए, यह इतना रुपया बढ़ गया। 15 अरब रुपया निकल आया, यह बड़ी खुशी की बात है। यह बात ठीक है कि यह दौलत प्रोडक्शन में लग जाएगी और इस काले धन से जो ढाई अरब रुपया आप को मिलेगा, वह सिचाई में लगेगा, बिजली में लगेगा। यह सब ठीक बात है, लेकिन यह काम होने किस ने दिया? उन मुनहगारों को आप बोनस देते हैं जिन्होंने इतना रुपया इकट्ठा होने दिया। इतना रुपया इकट्ठा होने के लिए वे पूरे मुनहगार हैं और उन को आप ने बोनस दे दिया?

अपनी छिपी आधा को दिखाने वालों ने और क्या काम किया? उन्होंने यह किया कि जिस के पास सोना था और उस ने 100 रुपये या 50 रुपये के भाव से पहले खरीद कर रख

रखा था, उस को उस ने डेक्लेयर किया 450 रुपये के भाव से। इस तरह से उन्होंने यह भी दिखा कि बिज के पास प्रोपर्टी थी उस को अपने माइनर्स के नाम से भी डेक्लेयर कर दिया, छोटे छोटे बच्चे जो खेल रहे हैं, उस के नाम से डेक्लेयर कर दिया। अब आप क्लॉज (4) को देखिए। उस में यह लिखा हुआ है:

- (a) where the declarant is an individual, by the individual himself . . . and where the individual is mentally incapacitated from attending to his affairs, by his guardian or by any other person competent to act on his behalf;
- (b) where the declarant is a Hindu undivided family, by the karta and where the karta is absent from India or is mentally incapacitated from attending to his affairs, by any other adult member of such family.

जो पूजा उन लोगों के पास थी उस को उन्होंने राम, मीरा, सीता, गंगा सब के नाम से दिखा दी और इतना अच्छा कानून आप ने बनाया है कि अगर उन लोगों ने पाप किया है तो आप कहते हैं कि तुम्हारा पाप खोलेंगे नहीं, तुम्हारा नाम किसी को नहीं बताएँगे। इस प्रकार से जो इस तरह के कानून बनते हैं उन से कभी कभी गलत काम भी हुए हैं। अगर किसी ने कोई गलत कर्म किया है, कोई पाप किया है, तो वह छिपा रहेगा। इसलिए मेरा कहना यह है कि महरबानी कर के आप पाप को छिपाओ नहीं। जब पाप छिपाए जाते हैं तो बड़ा दुख होता है? यह पूरा मालूम होता है कि रुपया कैसे इकट्ठा हुआ है, फिर भी उस का नाम छिपाया जाता है। अगर 'क्रायेन' से रुपया आया है तो आप कहते हैं कि छिपाने की जरूरत नहीं है। आप उस को बता दें और हम आप का नाम नहीं

बताएंगे। यह तो ऐसा ही काम किया है जैसे कि पुलिस जब इन्वेस्टीगेशन करती है तो कहती है कि तुम बयान दे दो, हम तुम को छोड़ा देंगे लेकिन पुलिस क्या करती है? जब वह कोर्ट में आती है तो सारी बातें कह देती है कि यह यह वाक्या हुआ और उस प्रकार चोरी की गई लेकिन आप ने वायदा किया है कि लोग अपने छिपे धन को और छिपी सम्पत्ति को बना दें और आप उस का नाम किसी को मालूम नहीं होने देंगे। उस ने जो पाप किया है वह किसी को पता नहीं चलेगा, लेकिन पुलिस ऐसा काम नहीं करती है। पुलिस उसका इन्वेस्टीगेशन करती है और सारी बातें खूलवाकर कोर्ट में आकर बहती है कि इस प्रकार भंडार किया गया और उसके ये कारण थे। लेकिन इनकम टैक्स डिपार्टमेंट ने क्या काम किया कि सारी बातें तो खुलवा ली, लेकिन वह कहा कि दुनिया को नहीं बतायेंगे, तुमने जो पाप किया है, वह ठीक है। उनको यह भी मालूम है कि कोर्ट में एग्जामिन नहीं किया जायेगा।

सरकार ने 18 अक्टूबर को एक स्क्रीम लागू की और 31 दिसम्बर, 1975 को रात को 12 बजे वह समाप्त हो गई। अब हम इस पर क्या बोलें, अब तो हम धन्यवाद के अलावा और कोई बात नहीं कह सकते हैं। उस दिन रात को 12 बजे तक बैंक खुला रहा और 15 अरब रुपया उसमें मिल गया। मेरा कहना यह है कि जिन लोगों ने गुनाह किये हैं, उनके नाम आने चाहिये।

SHRI CHAPALENDU BHATTACHARYYA (Giridih): Mr. Speaker, Sir, in the context of the economic tremor which overtook India in the last two and a half years, Government had tried various budgetary, monetary and fiscal policies to overcome the situation. The Opposition's contribution in these difficult months was, unfortunately, negative. Therefore, Emergency had to be proclaimed

and in order to discipline our socio-economic life, the 20-Point Programme came, and along with that, certain relief to tax payers was given.

I will not join issue on the quantum of black money, the nature of the parallel black economy that is, operating in India. There are various estimates. But, in spite of what the Ministry of Finance has been thinking about tax on conspicuous consumption or expenditure which was originally suggested by Nicholas Kaldor, I feel we missed our way. The immediate reason was that the return was too small. That way, a loophole was left in the net, and use of three rooms out of five rooms by the new-rich in the five star hotels and use of house-boats in Kashmir and other places—this sort of conspicuous consumption—overtook our national life. We should not have waited then. We missed our way by not continuing that tax on expenditure, and the entire net was thereby left with a loophole. We followed, the some method which the Railway Ministry followed, namely if there is ticketless travelling, increase the freights and fares; there is evasion of income-tax and, therefore, go on increasing the income-tax rate. That was the short cut, but it has recoiled on our economy. Here, I would refer you to Hugh Dalton, the Professor of Economics, who wrote a textbook on public finance and who later on, became the Chancellor of Exchequer in Britain. Although he enumerated that inequality of income and inequality of inheritance formed the very core of inequality and disparity of the life of Britain, the very first thing he did was to reduce the rate of income-tax. Here, we have been going the other way. The incentives for evasion went on increasing and the volume of black money went on accumulating. It was a wrong type of spiral. This spiral had to be broken, and I am very happy—and I congratulate the Ministry of Finance—for thinking about this scheme which, at any rate, has reversed this spiral.

[Shri Chapalendeu Bhattacharyya]

I agree that the rate on personal taxation should be reduced. I also agree that the professionals should not be harried and harassed. Upto Rs. 25,000 of income, the income-tax departments approach has been doing very well and has been giving good results. The top professionals, doctors and lawyers should not be harried and harassed otherwise the phenomenon which took place would happen. The famous jurist and lawyer, late P. R. Das said: "Well, I earn only Rs. 20,000 in a month and I leave the other cases, because in that case ninety per cent of the income would be taken away by the Government". If the doctors do like that, our nation will suffer, they will not be taking many patients and it would not help our national welfare.

16.00 hrs.

As regards rationalization of tax laws, I would like to know how many of tax lawyers have kept abreast with vast developments, changes and modifications of income-tax and wealth tax legislations. The wealth-tax legislations have changed frequently; the rules of the Central Board of Taxes have been changing quite oftener and then there is the vast super-structure of case laws loaded on that. Mr. Speaker, Sir, I plead through you to the Finance Minister for simplification of the tax laws. The rich can afford to get legal and accounting expertise but I am thinking of those people who do not know the law or can not afford expert advice. In the case of income-tax, the exemption limit should certainly be increased to Rs. 10,000 but there is the greatest anomaly as regards wealth tax. There is exemption from wealth tax upto Rs. 1 lakh. If it is Rs. 1.10 lakhs, the assessee has to pay upto Rs. 1.10 lakhs in assessment, fine and penalties. That way, the small man will be completely annihilated. In some States, there is urban property ceiling or some other ceiling upto Rs.

two lakhs. There should be some coordination and upto that amount, we must give to the small man, the lower middle class man and the poor a break from the ever-increasing net of the taxation, to withstand erosion of value through inflation.

It was mentioned that the penalty in the case of wealth tax is just one per cent. If the amount involved is Rs. 1.10 lakh which is a marginal case, much depends on the officer. The assessee is faced with complete ruin. Just as in the case of income-tax upto Rs. 25,000 you have a reasonable procedure, in the case of wealth tax, there should be a reasonable procedure upto some lower figure, if we have to carry the assesses with us, and because that will repay in abundant measure through higher tax revenue.

Lastly, I cannot forgot my little place, one of the best in Bihar that is Giridih, the district I come from. We should have an Income-tax Collector there; income tax revenue will go up very very high if you just have your offices there. Instead you have placed a Central Excise Officer there. Those cases would have been taken over by the Income-tax Officer himself. The result has been that you are spending more there and getting nothing. If Giridih is a case in point, rationalization of the organization itself is called for so that the net is widened, the approach is homely, friendly and helpful and we would get certainly adequate results.

श्री ज्ञानि भूषण (दक्षिण दिल्ली) :
मज्यक्ष महोदय मैं, मुबारकबाद देना चाहता हूँ, मंत्री जी को और उन के मंत्रालय को खास तौर से कि उन्होंने शेर के दांत में से मांस निकाला है। बहुत मुश्किल काम है ब्लैक मार्केटियर्स से पैसा निकालना। कुछ इनकम-टैक्स आफिसर्स के बारे में यहां बड़ी सख्त बात कही गई। मुझे समझ में नहीं आता कि जो लोभ दिन रात मेहनत कर उन के पास से

कुछ निकालते हैं उन की तो हमे हीसला-अफजाई करनी चाहिए, वजाय इस के कि उन के लिए तरह तरह की बातें हमारे सदस्य कहें। यह मूनासिब नहीं है। मैं उन आफिसर्स को भी मुबारकवाद देना हू कि उन्होंने बहुत मेहनत के साथ यह काम किया है और बाकी खपया ब्लैक का है, उन का अगर इनी तरह हीसला बढ़ाया गया तो वह भी वह निकाल सकेंगे।

12.06 hrs.

[SHRI BHAGWAT JHA AZAD in the Chair]

बाँचू कमेटी को जो रिपोर्ट है उस के मुताबिक तकरीबन 7 हजार करोड़ ब्लैक का खपया है लेकिन उस रिपोर्ट के बाद अब तो काफी खाल हो गए हैं, अब तो वह दस बारह हजार करोड़ हो गया होगा। लेकिन वह सर्कुलेशन में नहीं होगा। सोने की शकल में या किसी और शकल में उस को रखा गया होगा। इस के साथ साथ इस देश में हमारा अनुमान है तकरीबन 25 हजार करोड़ रुपये का सोना जमीन के अंदर गाड़ा गया है। वह प्रीरती की शोभा के लिए नहीं है, बल्कि वह निकालने के लिए है।

श्री विनेन भट्टाचार्य : आप कुछ इंतजाम उसका कीजिए।

श्री जशि भूषण : मैं बताता हूँ। जब इन की माक्सिस्त कम्पनिस्ट पार्टी की सरकार ज्योति बसु की वेस्ट बंगाल में थी तो इन्होंने कुछ खूरा बगैरह दिखा कर टैक्स लेने की कोशिश की लेकिन वह तरीका मुनासिब नहीं। (अधबधान) . . . तो यह जो 25 हजार करोड़ का सोना इस देश में गाड़ा पड़ा है उस के लिए मैं समझता हूँ सरकार को कोई कदम उठाना चाहिए।

जो लोग टैक्स कम होना चाहिए उस की बात करते हैं, मैं तो उन से भी आगे

विकल्प टैक्स की सोसाइटी चाहता हूँ। न किसी के पाम हो जिस को टैक्स देना पड़े और न सरकार को लेना पड़े। सरकार का भी बर्दन कम हो जाय। जिस समाजवादी समाज की बात चल रही है, साइंटिफिक समाजवाद की बात जो की जा रही है, जो हमारे अनुशासित प्रजातंत्र का लक्ष्य है जिस के लिए 1929 से नेहरू जी प्रयत्न करते आ रहे हैं और उन के बाद भी वह धाज चल रहा है, ये पिगमीज उस को खत्म नहीं कर सकते समाजवाद के उस रास्ते को, तो हम तो चाहते हैं कि ऐसा समाजवादी समाज हो जिस में बेचारे गगीब बिरला और टाटा को भी टैक्स न देना पड़े और अपने इनकम टैक्स आफिसर्स को भी हम दूसरे कामों में लगा सकें, टेलेटेंड लोग हैं। बहरहाल उस में देर लगेगी।

अमेरिका जैसे देश में जहां कैपिटलिस्ट सोसाइटी है, निक्सन के पहले कम से कम 30 साल तक वहाँ सोना रखने की मुमानियत थी, खरीदना तो दूर है। अगर हमारे यहाँ ऐसा कर सकें तो बहुत अच्छा है। बैसे साठे साहब की बात बहुत अच्छी है गोल्ड बांड्स की। अगर उस डंग का कानून बनाना संभव नहीं हो कि सोना रखने पर मुमानियत की जाय तो वह जो गोल्ड बांड बगैरह की बात है वह भी गलत नहीं है। अगर मुल्क मजबूत है तो सोना रहेगा और मुल्क कमजोर है तो सोना कमी रह नहीं सकता है? सैकड़ों बार लोग लट कर ले गए हैं। इसलिए राष्ट्र की सुरक्षा के लिए भी जरूरी है कि जो सोना है उस को निकाला जाय। पड़ोस में पांच लाख सेना चीन की खड़ी है उस से लड़ने के लिए कितने सोने की जरूरत है? तो उस के लिए भी जरूरी है कि उस सोने को बाहर निकाला जाय। मैं समझता हूँ कि इस दिशा में हमारे निजी महोदय बहुत सजग हैं और अगर वह यह कर सकें जो हिन्दुस्तान में एक बहुत बड़ा ऐतिहासिक काम करें।

[श्री प्रानब भूषण—जारी]

इस के साथ साथ जिन लोगों ने वालंट्री डिस्कलोजर किया है, अगर गोल्ड बांड की शकल में एक मोका और दिया जाय तो वह कुछ और देंगे और यह भी ठीक है कि अगर वालंट्री तौर पर नहीं देंगे तो सरकार उन के घर पर जा कर ले आएगी, और कोई रास्ता नहीं है। मैं समझता हूँ कि यहाँ का व्यापारी भी बहुत समझदार है। वह समझता है कि यह सरकार अब एमजसी के बाद जो कहती है उस का मतलब है, जो प्रोग्राम देती है उस का मतलब है, वह इम्प्लीमेंट होगा। इसलिए वह आए हैं वालंट्री तौर पर, तो गोल्ड बांड के लिए भी कहा जाय। और आज प्रधान मंत्री इतनी मशकत है, देश की जनता इतनी उन के साथ है कि अगर आज फिर उनके नेतृत्व में यह मंत्रालय उस कार्य को करेगा तो मुझे पूरी उम्मीद है कि हम सोने को निकाल सकेंगे जो सोना आज काला जहर है। फिर वह काला जहर भ्रमृत बन सकता है इस देश की सुरक्षा के लिए। उस दिशा में हमें जाना जरूरी है। इतना ही मैं कहना चाहता था।

THE MINISTER OF STATE IN-
CHARGE OF THE DEPARTMENT OF
REVENUE AND BANKING (SHRI
PRANAB KUMAR MUKHERJEE):
I am grateful to the hon Members
for making their observations
by and large supporting the
various provisions of the Bill. We
never claimed that this scheme
is the only remedy to fight against
black money, its operation and gene-
ration. While making my introductory
remarks I made it quite clear that
we took certain steps for quite some
time for unearthing black money and
bringing the economic offenders to
task. And, as a result thereof, a situa-
tion was created in the country in
which it was found that if we could
come forward with a scheme like this
perhaps a bit of the blackmoney
could be unearthed. I am not speak-
ing from any philosophical or mora-

listic point of view. Keeping the rea-
lity in view and keeping the short-
comings under which the Depart-
ment is to function, we shall have
to keep in mind that this scheme has
helped to unearth a part of the black
money. I do not know what is the
quantum of black money actually
ruling in the country and I would
not like to enter into the guess work
either on scientific or on unscientific
basis but the fact is, Rs. 1500 crores in
the form of income and wealth has
been declared. At the same time it is
to be kept in mind and it has
been declared on many occasions
on the floor of this House and
outside that it is just a part
of the total operation which is
going on. Why Government resorted
to such measures, Sir? It has been
suggested whether we could unearth
these amounts of black money mere-
ly by conducting raids, seizures and
searches. Sir, the maximum number
of raids conducted in the year 1974-
75 is in the order of 2,000 and the
total value of assets seized as a re-
sult thereof is in the order of Rs. 17
crores. The total number of assessees
who have taken the advantage of the
scheme and declared their concealed
income and wealth is more than
2,53,000. If one just makes some
arithmetical exercise, one can come
to the conclusion how many raids
would have yielded to the Govern-
ment these tax arrears by the assess-
ees. But, at the same time, it is to be
kept in mind that when the scheme
was in operation from 8th October to
31st December the Government did
not stop seizures, searches and raids.
And perhaps it is known to the hon-
ourable House that two very impor-
tant raids are conducted even when
the scheme was in vogue. Therefore it
is not the desire of the Government
nor it is its policy to say that we
small resort to voluntary disclosure
only and we will not take any other
step. These steps which will be taken
which we have already initiated, will
go on, and I have already assured
this House that this will go on relent-
lessly.

At the same time, it has to be kept in mind that tax evasion and various reasons working behind it are not so simple and easy. I do not rule out the possibility that in a system like ours there is scope for rationalisation. I can tell the hon. Members that Government is making this exercise constantly and almost in every budget year. In every financial year, some exercises are being made. Perhaps you will excuse me if I do not touch upon that point in greater details because of the obvious reasons that this is a pre-budget session. But, I can assure the hon. Members that regarding the taxation pattern, tax structure, etc. a constant exercise is being made and we try to rationalise more and more. But, at the same time, it has to be kept in mind that in an economic situation like ours, it is not very easy to arrive at a simple formulation either by increasing the quantum of tax or by reducing the quantum of tax. It is known that the taxation in the country and in any other developing economy is used as an important instrument of fiscal measure not only to promote the social objectives and economic objectives but also, at the same time, it is being utilised to do away with certain social and economic disparities which prevail in that system. Therefore, this is a complex exercise and this exercise is being constantly made and there is no hesitation to point out that we had not been able to evolve a system which is an ideal one. But, at the same time, I can tell you that we are making a constant exercise to improve. Wherever there are areas of deficiency, it would be our effort to see that we can improve those deficiencies.

Coming to certain observations which the hon. Members had made, I would like to do away with certain misgivings which Shri Chandrappan, while making his observation, had pointed out. At least the impression I gather from his speech is that all the persons who took the opportunity of the voluntary disclosure scheme or

the tax evaders whose books of accounts are otherwise seized by the Income-tax Department and those who have made disclosures under Sec. 41 and whose books of accounts were seized by the Income-tax Department number only about 4,402 out of a total of more than 2,53,000. Even the quantum of tax which is of the order of Rs. 17 crores and the amount disclosed by them is also not of a very high order compared to the total amount declared as it comes to only Rs 55 crores. Therefore, it is not a fact that all the people whose houses are raided, whose books of accounts have been seized only came forward to take this opportunity of the scheme and disclose their concealed wealth. Sir, he has accused the Government that this year we have reduced the number of raids, searches and seizures. He quoted some figures. But unfortunately he has not quoted the full figures. It is true that I gave the figure. The total number of raids conducted by the Income-tax Department for the year 1974-75 was 2,029 but the number of raids conducted by the same Department in the current year is 1,529. It is only upto November from April. Therefore 1,529 raids were conducted in eight months while 2,029 raids were conducted in 12 months. Arithmetically, perhaps, the number of raids conducted by the Income-tax Department this year is more and correspondingly the amounts assessed by them would also be more.

Sir, Mr. Halder by making his observations seems to have come to the conclusion—and, perhaps wrongly—that we are not going to disclose the names of those persons who have made the declarations because they are the donors to the Congress party. It is known to the House and I would not like to enter into controversy as to which political party receives donations from which big business houses and in the course of raids conducted by my own department is was found that black money in currency notes was kept hidden in the folds of

[Shri Pranab Kumar Mukherjee]
jee—

sarees which were kept in the locker and later it was claimed by the owner of the locker that this money belonged to his political party. I would not like to make a mention of the name of the party concerned because it was discussed on the floor of the House.

SHRI KRISHNA CHANDRA HALDER: Why don't you disclose the name?

SHRI PRANAB KUMAR MUKHERJEE: I have not said 'CPI(M)'. I said it is a political party which belongs to our Opposition. Further it is known to the hon. Members of this House that even the premises of two hon. Members of this House were raided on economic offences and none of them belonged to Congress party. Therefore, it is of no use bringing in these things that because the people are donating to Congress party that is why their names are not disclosed. It is a part and parcel of the scheme itself not to disclose the names. You may reject the scheme in toto but you cannot say that secrecy be not maintained. Rightly or wrongly we are committed to this and we cannot say when they kept confidence on our word that we shall not keep our word and give the names only to satisfy Mr. Haider. This is part and parcel of the scheme.

Sir, I can tell you that it is as a result of this secrecy and confidence which the Department was able to create in the minds of the people that they came forward to make their declarations and whatever be the quantum of searches—I would not like to say whether it is a grand success or a zero—or whatever be the merits of the success it is mainly because this time Government was able to create confidence in the minds of the assesses and at the same time it was possible for us to put fear in their mind and as a result of both these two things combined together we

could achieve some success in the field of disclosures.

Sir, one hon. Member has made certain unkind remarks in regard to the officers of the Department. I do never claim that all the people who are working in the Department are upto the mark but at the same time it is to be kept in mind—the two instances which I gave just now, the magnitude and the gravity of tax evasion in this country—that it is the elite of the community of this country which evade taxes and until and unless a strong social condition is created to induce them or create strong public opinion against economic offences whatever condemnation we may have, I am afraid, it would not be possible for the poor income tax officers to do away with the menace completely. I can just give one figure. As a result of the special survey we added two lakhs people to the tax net and you will be surprised to know that quite a big number of these new assesseees who were added belonged to the professions like accountants, engineers, lawyers or tax consultants.

AN HON. MEMBER: What about professors?

SHRI PRANAB KUMAR MUKHERJEE: In the case of professors the income tax is deducted from their salaries at the source. So, we do not know. There may be some professors. Therefore, it is to be kept in mind that merely by streamlining the administrative machinery it would be difficult to plug the loopholes altogether. I do admit in this connection, as I have already pointed out—that there is scope for improving the system. There is a scope for rationalisation but at the same time, we have to create a strong public opinion against economic offences by which a conducive climate could be created and both the Department and the assesseees can function in a purposeful and better way.

Sir, while making his observations Mr. Sezhiyan wanted to know certain break-up figures and he has raised a very basic question that when 1500 crores of rupees as put into the main-stream of the national economy, why there is no visible mark in the economy as such. We have not claimed that 1500 crores of rupees worth currency have been put into the economy. I have given the break-up in my introductory speech. Unfortunately, he was not here at that time. I am again repeating them. It is Rs. 812 crores as wealth tax and the rest is income-tax. The disclosed income is Rs. 712 crores and disclosed wealth is more than Rs. 800 crores. Therefore, the total quantum of tax levied taking together, is of the order of Rs. 248 crores I have already given these figures in reply to a question on the floor of this House. He wanted to know the break-up. Quite a large number of these people belonged to the bracket of 25000. Till 31st December, the total number of declarants was 2,53,000 and it is not possible for my Department to give break-up as to how much belonged to what income group and what slab. Therefore, it will take quite a long time.

In this connection, he has raised objection to our writing to the State Chief Ministers and he has put the question; where is the authority of the Finance Minister to write to the Chief Ministers regarding sales tax? It is not a question of authority and it is not a question of a direction as to what the Union Finance Minister would tell the Chief Ministers. We just wanted to put out that so far as the present principle is concerned, 80 per cent of the income-tax goes to the divisible pool for being allocated to the States and, therefore, the more would be declared, the more would be realised as income-tax and greater benefit would go to the States. As a result of that we requested them that in order to make the scheme a success, they do not insist on sales tax. This was not a direction but this was a

request. I do not know why he has raised objection to that. Authority of the Finance Minister is there because he is supposed to guide the national economy. But when this basic question comes, I think the Finance Minister is absolutely within his competence to express his views to the State Chief Ministers and to the State Governments and there is nothing wrong in it.

Sir, Mr. Sathe while making his observations has suggested certain points and I would like to tell one thing that this is an idea which is working in somebody's mind whether we can have some sort of national museum of our jewellery. Apart from its money value, it has very high artistic value. Strictly speaking, it does not come within my competence but I shall put his suggestion to the proper quarter

Regarding gold bonds, it has to be kept in mind that the scheme was introduced once by the previous Finance Minister and at the same time, if we want to re-introduce it, we shall have to look into various angularities and we have to see to what extent we can revise the scheme and what could be the improvements that we could make and what were the defects because of which it did not succeed.

One hon. Member has observed: "Why should we not put restrictions on having primary gold?" The restriction is already there and the searches and seizures conducted by the Customs Department have one advantage, viz. we can straightway confiscate the primary gold. Through these steps, it was possible for us during last year to confiscate quite a substantial quantum of gold; in one particular case nearly 870 kgs. of gold was confiscated straightway. Primary gold is not only liable to confiscation; but certain other penal provisions are also taken. One question raised in the House was: "Why have we given immunity to the

[Shri Pranab Kumar Mukherjee]

declarants from the Customs Act and from the Gold Control Act?" It was done because a substantial part of the hidden wealth is converted into gold and jewellery. Therefore, unless we give immunity from those Acts, we could not have the success of the scheme and the persons concerned could not come forward and declare their wealth. But at the same time it must be kept in mind that this immunity is not there for all times to come. They have to regularize the matter with the Customs authorities by 1st February 1976. That provision is there in the scheme itself. Therefore, Mr. Chairman, to my mind this is just a stage to further the cause of unearthing black money and hidden wealth. It is neither a surrender nor a compromise. We thought that a situation had been created in which offers from the Government to the erring tax-payers might pay dividends. Whether it has paid dividends or not, as for the conclusion of the House itself. At the same time, I would like to reiterate, as I have pointed out on earlier occasions also, that we have already intensified our activities so far as searches and seizures are concerned. It is to be kept in mind that certain lacunae were there in the law itself; and from our experience we found that on many an occasion it was found in the court of law that the tax-dodger is let off with imprisonment till the rising of the court. This House itself, in its wisdom, has amended the various provisions of the Income-Tax Act and the Direct Taxes Act during the last monsoon session, where we have made one important improvement, viz. that we have linked the minimum punishment both in respect of imprisonment and fine, with the quantum of tax evasion; and that too, will be applied in a more vigorous way. The power of the Income-Tax Officers have also been increased considerably, to see that they conduct these raids, searches and seizures in a more purposeful way. At the same

time we are considering various other economic measures regarding rationalization of tax structures and other things, as I have already pointed out. It is the usual practice that the Finance Minister makes some changes during the budget. I would not, therefore, like to dwell on it. I express my gratitude to the hon. Members for supporting, by and large, the scheme. I hope it will be accepted unanimously.

MR. CHAIRMAN: Mr. Chandrapan.

SHRI BHOGENDRA JHA (Jainagar): One clarification I want from the Minister.

MR. CHAIRMAN: At this stage, no clarification is needed.

SHRI BHOGENDRA JHA: The Income-Tax Officers have been rewarded with one month's pay for their failure to collect the taxes earlier. The tax evaders have also been rewarded. Is it not a premium on their failure? Would not the Income-Tax Officers and the tax evaders resort to the same thing, i.e. would they not sit tight for 51 weeks in the year and during the last week of the year, would they not expect that if they make a disclosure then, they would get some extra benefit? What is the guarantee that it will not be repeated? Because, this is a premium on tax evasion.

SHRI PRANAB KUMAR MUKHERJEE: Sir, does it require any clarification?

MR. CHAIRMAN: No. Shri Chandrapan.

SHRI C. K. CHANDRAPAN (Telli-cherry): Sir, the hon. Minister, while replying to the debate, made it plain that the disclosure was a very big success. But he evaded the main question in regard to the quantum of black money. Whether it is scientific

or unscientific there is an understanding in this country that the value of black money in the country not necessarily in the form of currency that is being circulated, is to the extent of more than Rs. 20,000 crores. Considering that, what the Government have achieved is very small indeed. Even for achieving that they had to surrender to the capitalists, which is unpardonable. That is our accusation. The Minister said that he is not going into the morals of it. This is again an admission of the fact that capitalists will not learn morals from you. Even a greater person like Mahatma Gandhi has failed to teach them morals. Bapuji said that those who keep anything more than their needs are thieves. How are you dealing with those people whom Bapuji described as thieves?

SHRI C. M. STEPHEN (Muvattupuzha): I think all of us come under that category.

SHRI C. K. CHANDRAPPA: Let those people who think the cap will fit them worry.

Bapuji told the capitalists "you are not the owners; but only trustees". The capitalists did not pay heed to that.

Shri Sathe has tried to point out in his own way, about which I have my reservation, that this is inherent in capitalism this quality of deceiving the people, this quality of amassing wealth in the hands of a few, this quality of pauperising the nation, is inherent in capitalism. I hope the hon. Minister will appreciate that point. I am very sorry to say that it has been proved that this exercise which you are making is an exercise in futility.

Coming to Shri Salve, when the Minister was replying he cheered him twice. When the cheering came, the Minister said that the taxation laws

will be rationalised, and Shri Salve understood what it means;

My friend, Shri Ravi, said that did not make any suggestions. I have no suggestions to make, because I am not an expert. I am going by the suggestion made in this great book, which you consider as something like a bible. When you came up with so many legislations you said that it is on the basis of the Wanchoo Committee Report.

When Government came forward with so many legislations, they said they were all based on the Wanchoo Commission's Report, but I am enumerating some suggestions which they should have taken up.

Firstly, if you want a final solution of this problem, then you have to come forward boldly with demonetisation of the currency

SHRI C. M. STEPHEN. Do you accept all the suggestions in that Report?

SHRI C. K. CHANDRAPPA: I do not want to argue with Shri Stephen. I am saying that demonetisation is a measure by which you can weed out the parallel economy and black money in our country, and that has been the experience of many countries. Even the neighbouring countries had the boldness to do that. And there are many countries like the G.D.R., with whose system you may not agree, which did it after the war.

You have declared an emergency and we support it. But somebody complained that the opposition was not supporting everything. Let me make it very clear that we support you for declaring the emergency and for bringing forward the 20-point economic programme provided it is implemented in such a way that the socio-economic basis of Fascism is rooted out. If not, we do not support, that is very clear. When you surrender to monopolists we will not support you.

[Shri C. K. Chandrappan]

Secondly, the Wanchoo Commission itself has said that the laws relating to religious and charitable trusts should be drastically changed to see that they do not play the role of cover organisations.

SHRI N. K. P. SALVE: We have gone much beyond their recommendations.

SHRI C. K. CHANDRAPPAN: There should be more drastic changes.

If the Government, after having brought forward several legislations, still finds a predicament in which black money is increasing, then the laws should be drastically amended so that they will go against black money completely. That is the way in which laws should be amended.

Government will say that they have brought forward several amendments, but in the matter of this disclosure scheme their provisions were all kept in abeyance to appease these people in several cases. These are some of the ways in which Government can solve the problem.

Tax evasion is not the only source of black money. There are several other sources like under-invoicing, over-invoicing etc., which are known to the hon. Minister better than myself.

SHRI N. K. P. SALVE: That does not involve tax evasion.

SHRI C. K. CHANDRAPPAN: You are interested in that, but I am on the question of the generation of black-money and weeding it out completely. These laws do not go as far as we want. That is our complaint. Before concluding, I would like to ask the Minister to clarify certain points which he should have clarified.

Regarding wealth, they have got it in the shape of jewellery and so on. What is the basis of evaluation? I made a complaint and charged them that the basis of valuation is not the present value of that property. The basis of valuation is the claim made by the respondent in regard to the time when he bought it. That way, he has scaped and the Government have given a clean chit, because he has disclosed something and got a certificate from the Government that he is a gentleman. He is now circulating himself as a fake currency. That point was not answered by the Minister.

I do not say that all those who have disclosed their income are the people who have got too much money. You said that there were people, but, of course, their number was less. In the interest of the country, I want to know how many monopoly houses have disclosed their income; how many big mill owners, especially the jute mill owners and textile magnats have disclosed their income? But the Minister is now duty bound not to disclose the amount. But he can say about the number of such categories who have disclosed their income. Then I asked how many were there in the list. The Government did not say anything about it.

We have betrayed the confidence bestowed by the people when they supported the emergency by giving consensus. We do not say that you have misused the emergency everywhere. But in this sphere, you should have hit and struck a devastating blow on the economic bases on fascism, for that is the main thing which enabled the fascism to stand up in this country and unleash a movement against you and the people. There you compromise. It is a very fundamental thing. It is the compromise which will endanger you and the country. That is why we are opposed to it. It is not something that has come from nowhere.

We look at this measure as a programme taken up by the Government in the context of emergency to fight the socio-economic forces that gave shape to fascism. There the Government has failed. Let him answer and say that they have succeeded in it. You may say that you have a majority" but the country will not feel it. That is the problem.

I would conclude by quoting a sentence from Karl Marx who said about the character of such type of people. He says:

"Certain quantity of profit will make capital audacious, 10 per cent security and it can be everywhere applied 20 per cent and it becomes lively; 50 per cent positively daring for 100 per cent it will trample on all human values; 300 per cent and there is no crime which it will not risk even at the threat of gallows."

This is what Karl Marx said about the character of these kinds of money bags who are amassing wealth at the cost of the people and the country.

Without stringent measures, without creating a confidence in the minds of the people, this Government, this country will not tolerate socio-economic forces based on fascism to survive. Without taking that path again, you are not going to succeed in fighting back the danger created by it. This is the reason why I request that the Bill be rejected, be scrapped and the Ordinance be rejected.

SHRI ERASMO DE SEQUEIRA:
Mr. Chairman, Sir, as you know, it is a debate that I have reply to. I will try to be as brief as I can.

I want to compliment the hon. Minister for the good job that he has done in presenting his case. It is, of course, difficult for him to convince us. The reason is not his fault, but it is just the case is so bad.

The two significant measures that have been taken since the Emergency, or the alleged Emergency, is the measure which took away bonus from the workmen, and this measure which has given bonus to the hoarders and tax-evaders. This no doubt is this Government's view and policy as to how to establish an egalitarian society in this country.

According to the hon. Minister there was a climate created by a large number of raids which were carried out in 1974-75 and in this year, which made it advisable to bring forward this Voluntary Disclosure Scheme Minus clause 14 which relieves those who had already been caught from penalty and prosecution, and minus the non-disclosure of source which the Bill provides, I would have been tempted to believe what the Government is saying. With these two clauses, and with the figure that the hon. Minister has now disclosed, I am more than convinced that what I said earlier is correct, that this Bill was brought forward to bail out the black money partners of this honourable Government.

According to the hon. Minister, under section 14, the disclosed income and wealth was to the extent of Rs. 55 crores. This is a large amount in any language I am sure, considering the small group of individuals, numbering 4,402, who have disclosed income and wealth to the tune of Rs. 55 crores, who are already caught—when this is the view of the black-marketeers and the hoarders as to how much has been caught in those raids—we should know that a considerable amount of power is wielded by these people, because the result that we see is this Bill, where every tenet of public life is being sold down the river.

Mr. Salve was lamenting that I had only spoken about the fact that a concession had been given to the tax-evaders. He was not listening because

[Shri Erasmo De Sequeira]

I was complaining about the large disparity between 97 per cent and 60 per cent and also about the fact that, those who had already been caught have been bailed out by this measure. This was the extent of my complaint. Then, he asked, how many of the seizures had been completed. He said that there are many a slip between the cup and the lip, and he talked about the best efforts of the Government. There is only one thing that I can say, and that is, that if after seizure, the Government sits on papers for two years, nobody in his right mind can say that the Government is making any kind of effort.

There was a Question in this House some days ago in which an hon. Member had asked for a list of the assesseees with over Rs. 50 lakhs in arrears. The Hon'ble Minister's answer was that it was not worth the effort to collect this information. May I ask, Sir, what kind of a Board of Central Taxes we have got, and what kind of a Ministry we have got, if they don't know who owes Government more than fifty lakhs in assessed arrears? This list should have been before the Chairman—or whoever he is—of the Central Board of Taxes, and before the Finance Minister every day of the week. If it is not there, there is only one conclusion—that they are not interested in collecting arrears; there can be no other conclusion.

Mr Salve was saying that there is no provision in the Bill for disclosures to be made in a large number of names and, that they have to be made in the name of the assessee alone. That is correct; the law does not say that if you have money to disclose, you shall not disclose it in your name but can openly disclose it in other peoples names. But there is a provision in this laws which, I assume, Government has put in this law precisely to enable the assesseees to do this—and that is the provision which makes it possible for

assesseees to make disclosures without naming the source of income. Because, if as the Minister says, the raids had created a climate where the market was afraid, and where the hoarder was shivering in his pants, in that case, why did not the Government take this opportunity, not merely to mop up black money, but to identify the source from where it came, so that they can in future keep a watch on these sources? There can be only one reason, and the figure will also tell you this, that according to the Government the extent of disclosure is 1500 crores and the number of assesseees is two and a half lakhs. That makes an average disclosure of only 60,000. What does this mean, may I ask the Minister? We all know that black money is available in large chunks, that 60,000 is a drop in the bucket—if at all it is a drop. Obviously, those who trade in black money, and those who run the parallel economy have seen that this Bill is properly devised, so that they can spread the risk around.

Sir, I would like to insist that this House should be given, at the earliest opportunity, the full extent of disclosure under Section 14, the number of assesseees, total disclosure and the graded disclosure by limits—whatever limits are set—because it is only then, that we will know whom Government is trying to bail out. I would also say that it is no good coming to this House and saying that 'we have made a promise and we have to keep it'. If this was a final promise, then the presence of the Bill in this House has no meaning. And even if the Government does not want to make public the names of those who have disclosed (I personally think they should be made public), we can always provide that full disclosure should be made to the Department, if not to the public. If the Government is serious about rooting out black money—I don't think it is—then, it is its responsibility to take this opportunity to identify the source, so that it can keep a watch in future,

and it can keep this source from operating.

A lot of hulla-ballo was made about deduction of donations to political parties. Personally, I would welcome deduction of donations to political parties being allowed, but I would suggest to Mr. Salve that, a company being a body corporate, should not be allowed to donate to political parties. Individuals—yes, by all means....

SHRI N. K. P. SALVE: By a General Body Resolution.

SHRI ERASMO DE SEQUEIRA: By General Body Resolution? We all know that companies are closely controlled. Let us not run away from the realities. If people want to help the political parties, let them donate as individuals. If we want politics in this country to acquire any meaning, then it has to be a question of a much larger participation from all walks of the country than we have had in the past.

The hon. Minister was trying to make capital from the allegation that, in the seizures, it was the Opposition that was found to have taken black money. First of all, I would like to ask him how many Congressmen he has raided. If he does not know whom to raid, I am sure any one of us can give him the list. At the moment, we all know, money is being collected hand over fist for the Congress Party, for the Youth Congress. Who is collecting, I may not know, but I am sure he knows. And I would like, really, to submit to him that, if he makes the proper raids, he will find the money hidden in things far smellier than sarees.

Mr. Salve was upset that we had not made suggestions for rationalisation. Both of us have been in the House for nine years, and I am sure that, if he had been listening in the manner we have listened to him, he would have known that in every single debate on an economic subject

that has come up, all of us have made suggestions, not only on the floor of the House, but also in the Consultative Committee, and also by way of articles, and we have always come against a blank wall from the Government, because, it believes only in adhocism. I could make a suggestion right here, but I am not going to, and the reason why I am not going to is that, in my view which, I submit, is the democratic view, the term of this Government runs out on the 18th March; beyond that date, it is an illegitimate Government. And, therefore, whatever suggestions I have to make, I would rather make after the elections. I think, it will not be necessary, because it is they who will have to make suggestions to us.

But, just in case this Government insist on the collision course that they are now on—and the Minister has spoken of rationalisation and various other things—I want to caution him on one thing. In most economies, competitiveness is created through expansion. In our economy, competitiveness of products in the market, competition, has been created by mismanagement and shrinkage of market. Today you have got a market in which more has been produced than sold. Prices are coming down for this reason. For God's sake, do not fiddle. Leave it alone. And if you do this, I am sure you will find that a few enterprises will fall down—they deserve to—but you will find that you have industries which stand on their own feet, and not on crutches from the Government. My view is that you will find the interest of the consumer being served far better, than it has been served in the past.

MR. CHAIRMAN: I shall put the Resolution, moved by Shri Erasmo de Sequeira, to the vote of the House.

The question is:

“This House disapproves of the Voluntary Disclosure of Income

[Mr. Chairman]

and Wealth (Amendment) Ordinance, 1975 (Ordinance No. 23 of 1975) promulgated by the President on the 29th November, 1975."

The motion was negatived.

MR. CHAIRMAN: The question is:

"That this House disapproves of the Voluntary Disclosure of Income and Wealth Ordinance, 1975 (Ordinance No. 15 of 1975) promulgated by the President on the 8th October, 1975."

The Lok Sabha divided:

Division No. 5[

[17 11 hrs.

AYES

Banerjee, Shri S. M.
Berwa, Shri Onkar Lal
Bhattacharyya, Shri Dinen
Chandrappan, Shri C. K.
Chatterjee, Shri Somnath
Halder, Shri Krishna Chandra
Hazra, Shri Manorajan
Horo, Shri N. E.
Jha, Shri Bhogendra
Kiruttinan, Shri Tha
'Madhukar', Shri K. M.
Modak, Shri Bijoy
Mukerjee, Shri H. N.
Parmar, Shri Bhaljibhai
Patel, Shri H. M.
Ram Hedao, Shri
Reddy, Shri Y. Esvara
*Rudra Pratap Singh, Shri
Saha, Shri Aji Kumar
Sequeira, Shri Erasmo de
Sezh'yan, Shri

NOES

Aga, Shri Syed Ahmed
Ahirwar, Shri Nathu Ram
Ambesh, Shri
Bhagat, Shri H. K. L.
Bhatia, Shri Raghunandan Lal
Bhattacharyya, Shri Chapalendu
Brahmanandji, Shri Swami
Chaturvedi, Shri Rohan Lal
Daga, Shri M. C.
Dalbir Singh, Shri
Damani, Shri S. R.
Darbra Singh, Shri
Das, Shri Anadi Charan
Deo, Shri S. N. Singh
Dhamankar, Shri
Dwivedi, Shri Nageshwar
Ganga Devi, Shrimati
Gavit, Shri T. H.
Godara, Shri Mani Ram
Gokhale, Shri H. R.
Gomango, Shri Giridhar
Gopal, Shri K
Goswami, Shri Dinesh Chandra
Gotkhinde, Shri Annasaheb
Kamakshaiyah, Shri D
Kamble, Shri T. D.
Kotoki, Shri Liladhar
Kotrashetti, Shri A. K.
Kureel, Shri B. N.
Laskar, Shri Nihar
Majhi, Shri Kumar
Mandal, Shri Yamuna Prasad
Mishra, Shri G. S.
Mohapatra, Shri Shyam Sunder
Negi, Shri Pratap Singh

*Wrongly voted for Ayes.

Oraon, Shri Tuna
 Painuli, Shri Paripoornanand
 Palodkar, Shri Manikrao
 Pandey, Shri Narsingh Narain
 Pandey, Shri Tarkeshwar
 Pant, Shri K. C.
 Parashar, Prof. Narain Chand
 Patel, Shri Natwarlal

 Raghu Ramaiah, Shri K.
 Raju, Shri P. V. G.
 Ram Deyal, Shri
 Ram Singh Bhai, Shri
 Ram Surat Prasad, Shri
 Rao, Shri Nageswara
 Raut, Shri Bhola
 Ravi, Shri Vayalar
 Reddy, Shri K. Ramakrishna
 Reddy, Shri P. Narasimha
 Reddy, Shri Sidram
 Richhariya, Dr. Govind Das
 Salve, Shri N. K. P.
 Samanta, Shri S. C.
 Sarkar, Shri Sakti Kumar
 Satpathy, Shri Devendra
 Sethi, Shri Arjun
 Shankaranand, Shri B.
 Sharma, Shri Madhoram
 Sharma, Shri Nawal Kishore
 Shashi Bhushan, Shri
 Shastri, Shri Sheopujan
 Shukla, Shri B. R.
 Siddheshwar Prasad, Prof.
 Sinha, Shri R. K.
 Sokhi, Sardar Swaran Singh
 Stephen, Shri C. M.
 Suryanarayana, Shri K.

Uikey, Shri M. G.
 *Ulaganambi, Shri R. P.
 Unnikrishnan, Shri K. P.
 Vikal, Shri Ram Chandra
 Yadav, Shri R. P.
 MR. CHAIRMAN: The result* of the division is:
 Ayes 21, Noes: 76
 The motion was negatived.
 MR. CHAIRMAN: Does Shri Sequeira want his amendment to be put to vote?
 SHRI ERASMO DE SEQUEIRA:
 Yes, Sir.

MR. CHAIRMAN: Now, the question is:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 15th April, 1976."
 (6)

The motion was negatived.

MR. CHAIRMAN: The question is:

"That the Bill to provide for voluntary disclosure of income and wealth and for matters connected therewith or incidental thereto, be taken into consideration."

The motion was adopted.

MR. CHAIRMAN: We will now take up the clauses.

The question is:

"That clause 2 stand part of the Bill."

The motion was adopted.

*Wrongly voted for NOES

†The following Members also recorded their votes:

AYES :Shri R. P. Ulaganambi.

NOTES :Srvashri N. P. Yadav and Rujra Pratap Singh

Clause 2 was added to the Bill.

Clause 2 was added to the Bill.
(voluntary disclosed income)

MR. CHAIRMAN: Mr. Sequeira is not moving the amendment. So, there are no amendments to Clause 3. So I will put it to the vote of the House.

The question is:

"That Clause 3 stand part of the Bill."

The motion was adopted.

Clause 3 was added to the Bill.

Clauses 4 and 5 were added to the Bill.

Clause 6. (Interest payable by declarant)

SHRI ERASMO DE SEQUEIRA: I have an amendment. I beg to move:

Page 3, line 47,—

for "twelve" substitute "twenty-five" (2)

If I may briefly say, for this amendment, the scheme allows the declarant to come forward and make a declaration and then to seek time in order to pay the tax that is due under the declaration. I think this is going far too far. In the first place you have given him a substantial benefit as against an honest tax payer, by charging him only 60 per cent maximum, and that too on a separate assessment, separate from his normal declared income. Now you come forward and say even for that you can pay tax after some time if you want, and on that interest is 12 per cent. If you want to give some time, if you feel that that man honestly requires some time in that case I think Government should charge a penal rate of interest. The rate at which an honest man borrows from a Bank for

trade is 18 per cent or 19 per cent. It is not fair that he should pay only 12 per cent to the Income Tax Department. I suggest the rate of 20 per cent.

SHRI PRANAB KUMAR MUKHERJEE: We have brought 12 per cent rate at par with the existing provision of the Act itself and as for the plea which hon. member is giving, if we had accepted that, there was no need of bringing voluntary disclosure scheme.

SHRI ERASMO DE SEQUEIRA: I do not understand what he has said. I doubt he does.

MR. CHAIRMAN: I will now put Shri Sequeira's amendment No. 2 to the vote of the House.

Amendment No. 2 was put and negatived

MR. CHAIRMAN: Now the question is:

"That Clause 6 stand part of the Bill "

The motion was adopted.

Clause 6 was added to the Bill.

Clause 7 was added to the Bill.

Clause 8 (Voluntary disclosed incomes not to be included in the total income)

SHRI DINEN BHATTACHARYYA (Serampore)—rose

SHRI ERASMO DE SEQUEIRA: I want to oppose it.

MR. CHAIRMAN: The amendment cannot be moved by Mr. Dinen Bhattacharyya because it requires the recommendation of the President.

SHRI DINEN BHATTACHARYYA: I sent for it.

MR. CHAIRMAN: You have sent for it today which has not been received.

SHRI DINEN BHATTACHARYYA: Yesterday was Sunday. I got the notice at 10 O'clock on Saturday. How it is physically possible or practically possible?

MR. CHAIRMAN: Please listen. It is already known to you that under Art. 117(1) this is to be done. It is not necessary for you to be told today. You as a Member know that under this provision of 117(1) on such an amendment the recommendation of the President is required for which you did not take action, you do it only today; it has not been received. If you like you can speak on this. I will allow you. But you cannot move the amendment.

SHRI DINEN BHATTACHARYYA: You are becoming too much formal, Sir.

MR. CHAIRMAN: I am not formal at all, I am absolutely within the rules. It requires the recommendation of the President. You cannot move it please.

If he likes he can speak. Please speak, Mr. Dinen Bhattacharyya. I am telling this, it has not been received. I cannot help it. I think you do not want to speak, Mr. Dinen Bhattacharyya.

SHRI DINEN BHATTACHARYYA: I want to speak. The purpose of my amendment is this. This is for clause 8 sub-clause (1). Here it says that the amount of the voluntarily disclosed income shall not be included in the total income of the declarant for any assessment year. I have asked for the deletion of the word 'not'. My amendment is very simple. Amount of voluntarily disclosed income shall be included in the total income of the declarant in any assessment year. This is my simple amendment. I hope that the Minister can accept it.

MR. CHAIRMAN: That is a suggestion only, amendment you cannot move.

THE MINISTER OF STATE IN-CHARGE OF THE DEPARTMENT OF REVENUE AND BANKING (SHRI PRANAB KUMAR MUKHERJEE): With regard to his suggestion, I can tell him that it is not acceptable because the nature of the scheme itself provides that income will be clubbed together and you cannot just include it in any particular year.

SHRI DINEN BHATTACHARYYA: I have asked for deletion of the word 'not'. My suggestion is positive and simple.

MR. CHAIRMAN: He does not accept the suggestion.

Now, the question is:

"That Clause 8 stand part of the Bill.

The motion was adopted.

Clause 8 was added to the Bill.

Clauses 9 and 10 were added to the Bill.

MR. CHAIRMAN: We now go to Clause 11.

Clause 11 (*Declaration not admissible in evidence against declarant*)

SHRI DINEN BHATTACHARYYA: I move amendment No. 8 to Clause 11. I beg to move:

Page 5, lines 4 and 5,—

Omit "Notwithstanding anything contained in any other law for the time being in force, nothing contained in any" (8)

During the course of the discussion many Members including some Congress Members, including the Members like Mr. Daga spoke for it. I speak on Clause No. 11. Here it says: Notwithstanding anything contained in any other law for the time being in force, nothing contained in any declaration made under sub-section

[Shri Dinen Bhattacharyya—Contd.]

(1) of section 3 shall be admissible in evidence against the declarant for the purpose of any proceeding relating to imposition of penalty or for the purposes of prosecution under any of the Acts mentioned in sub-section (1) of Section 8 or the Wealth Tax Act."

I am only asking him whether it would be taken as evidence in case of any dispute regarding his wealth or his income.

SHRI PRANAB KUMAR MUKHERJEE: I have already explained when we brought this scheme that firstly the whole declaration will be made and, secondly, on the basis of that, the existing provisions in which the immunity is being extended will not be allowed to them. Therefore I cannot accept that.

MR. CHAIRMAN: I shall now put amendment No. 8 to the vote of the House.

Amendment No. 8 was put and negatived.

MR. CHAIRMAN: The question is:

"That Clause 11 stand part of the Bill".

The motion was adopted.

Clause 11 was added to the Bill.

Clause 12 (Secrecy of declaration)

MR. CHAIRMAN: Now we take up clause 12. I think there are four amendments by Shri Dinen Bhattacharyya.

SHRI DINEN BHATTACHARYYA: I beg to move:

Pag 5, line 10,—

for "All" substitute "No". (9)

Page 5, line 12,—

for "no" substitute "the" (10)

Page 5, line 16,—

for "No" substitute "The"(11)

Page 5, line 17,—

omit "except" (12)

SHRI DINEN BHATTACHARYYA: You will kindly look to clause 12, sub-section 1. The clause says:

"All particulars contained in any such declaration made under section (1) of section (3)....."

I have asked for the deletion of the word 'all' and in its place I want to substitute the word 'No'. This is a positive suggestion.

In the next one also, for the same clause, I want deletion of the word 'No' and substitution of the word 'the' in line 12

MR. CHAIRMAN: Do you want all these 'Nos' to be dropped

SHRI DINEN BHATTACHARYYA: I want the word 'all' to be dropped and the word 'no' to be substituted. Similarly in my amendment Nos 10 and 11 I have suggested that the word 'no' should be deleted and in its place I want 'the' to be substituted. Shri Chandrappan was speaking and so many others also were speaking. You did not take note of anything. Here is a positive suggestion on the amendments. Please do not exclude them. I request you to accept them. You are now going up and up from your old position.

MR. CHAIRMAN: Are you now taking note of it?

SHRI PRANAB KUMAR MUKHERJEE: Yes, Sir.

SHRI DINEN BHATTACHARYYA: He should take note of it. These amendments of mine are not very difficult for him to accept. Instead of 'no' I want you to insert the word 'the' and instead of 'all' I want you to insert the word 'no'.

SHRI PRANAB KUMAR MUKHERJEE: My whole difficulty is this. The suggestion of the hon. Member becomes absolutely negative if I accept his positive suggestion and the entire proposition becomes negative. Unfortunately I cannot accept it.

MR. CHAIRMAN: I shall now put amendments Nos. 9, 10, 11 and 12 to Clause 12 to the vote of the House.

Amendments Nos. 9 to 12 were put and negatived.

MR. CHAIRMAN: The question is:

"That Clause 12 stand part of the Bill".

The motion was adopted.

Clause 12 was added to the Bill.

Clause 13 (Exemption from wealth-tax in respect of assets specified in declaration).

MR. CHAIRMAN: I think there are no amendments to this clause.

SHRI DINEN BHATTACHARYYA: There are amendments. I do not know whether they have received the permission from the President.

MR. CHAIRMAN: I can't tell that.

SHRI S. M. BANERJEE (Kanpur): I rise on a point of order.

MR. CHAIRMAN: On this there is no point of order.

SHRI S. M. BANERJEE: My point of order is this. I would like to get a ruling from you if they have received any refusal from the President.

SHRI ERASMIO DE SEQUEIRA: Sir, under the rules you have the power to postpone a particular clause. Sir, we are discussing the first reading as well as clause-by-clause today

and I take it the hon. Minister will not press for passage of this Bill today. Having done the clause-by-clause discussion today he will come for passage tomorrow. So, my submission is since no refusal has been received from the President today this clause be postponed for tomorrow.

MR. CHAIRMAN: The question is not one of receiving the refusal. It is very positive that the President's recommendation should be received and not that refusal be received. The Member should have submitted to the President sufficiently in advance and it should come to the Secretariat.

SHRI DINEN BHATTACHARYYA: Sir, if you receive any letter that for such and such amendments you have to receive the consent of the President and that I received at night on Saturday then how could you expect that I can get the proper sanction of the President by today.

MR. CHAIRMAN: It is not for the Secretariat to point out. It is clear if any Member who moves the amendment also knows that Article 117(a) and 274(1) require the recommendation of the President in such amendments. Since this has not been received I cannot allow them to be moved. So far as the point concerning 'power' is concerned, I have no such power and even if I have I would not like to use the same without sufficient reasons.

SHRI DINEN BHATTACHARYYA: Sir, let it go on record that only at the request of Mr. Banerjee I am not pressing for division.

MR. CHAIRMAN: The question is:

"That clause 13 stand part of the Bill."

The motion was adopted

[Mr. Chairman]

Clause 13 was added to the Bill.

Clause 14 (Disclosure of income in cases of search and seizure).

SHRI ERASMO DE SEQUEIRA:
Sir, I beg to move:

Page 6, line 42,—
omit "not" (17)

MR. CHAIRMAN, under clause 3 (ii) the benefit of the concessional rates of tax under this voluntary disclosure scheme are not available to those from whom merely a declaration or return has been sought under Section 139 or 148. Under Section 14 you allow the person whose documents have already been seized or whose assets may have already been seized to come forward with a declaration and then you say that notwithstanding the fact that his assets have been seized and documents are already with the income-tax Department he shall not be charged interest and he shall not be charged penalty. This, Sir, refers to 55 crores and 4,000 people we were talking about.

Mr. Salve was very quick to point out that already in the Act, the Commissioner has got the power to waive interest and penalty. I am sure, no Commissioner would have power enough to waive it in a case where disclosures have been made as a result of search and seizures. I would urge the Government to accept this amendment. What I am saying is that even the power with the Commissioner which he has got to waive penalty and interest, should not be available in this case because it is only after search and seizure that the income is declared. Therefore, you are utilising this Bill to bail him out. I would strongly urge upon the hon. Minister to accept this amendment and make them pay interest and penalty. Otherwise what we are saying will be proved.

PRANAB KUMAR MUKHERJEE:
The existing provision also gives discretion to the Commissioner. Whether the Commissioner uses his discretionary power or not, it depends upon the situation how much cooperation is being provided to the tax authorities to make assessment. This provision has been enacted in the normal laws to get maximum cooperation even after search and seizure. Whatever we can provide to the assesses under the normal laws, that much benefit is being provided under the scheme to those people whose accounts have been seized. The difference between ordinary declarants and this type of declarants is that they are not provided with concessional rate of tax. They have to pay normal rate of tax. Regarding immunity which is being provided to other cases, it is just being extended to this kind of declarants. Therefore, I am sorry in not accepting this amendment.

MR. CHAIRMAN: Now, I put Amendment No. 17 to the vote of the House.

Amendment No. 17 was put and negatived.

MR. CHAIRMAN: The question is:

"That clause 14 stand part of the Bill."

The motion was adopted.

Clause 14 was added to the Bill.

Clause 15 was added to the Bill.

Clause 16 (Immunity from penalty prosecution, etc., under certain Acts).

SHRI DINEN BHATTACHARYYA:
I beg to move:

Page 9, line 44,—
omit "not" (18)

Page 9, line 46,—
omit "not" (19)

Page 10,—

omit line 32 to 41 (20)

Page 10,—

omit lines 32 to 41 (20)

Amendment No. 18 is in respect of the immunities from penalty, prosecution, etc. under certain acts which have been extended to those who had so long concealed their income or wealth. Here towards the end of this page where it says 'Gold shall not be liable to confiscation', my amendment is delete 'not'. Again, the person making the declaration, Government says shall not be liable to imposition of any penalty. My amendment is that he shall be liable to imposition of penalty. So, both the 'not' should be dropped. On page 10,—you kindly look to amendment No. 20,— here also I had suggested omission of lines 32 to 41. I want the following portion to be omitted:

"Notwithstanding anything contained in the Gold (Control) Act, any primary gold referred to in sub-clause (ii) of clause (B) of sub-section (1) may be sold by the person making the declaration..." etc.

This is relevant, if the Government is serious and really want to curb the powers of the black money holders who have so long cheated the people and the Government. Government should not hesitate to take a positive step, so that these people may be taken to task, even if they hide their gold and other wealth. In that case, they should not be permitted to go scot-free, which is the meaning of this clause. That is why I have suggested this

Now, please look to amendment 21 also. I want the lines 46 to 48 in sub-clause (4) to be omitted. These lines are as follows:

"The immunity provided under sub-section (1) shall, in a case

where the person making the declaration is a firm, also extend to the partners of the firm."

Not only is the company given this concession; but the partners are also given this exemption. Why? I think the Minister will have no hesitation at least to accept amendment No. 21. My request is that the Government should take a positive stand. Why should they not? Government themselves have said that for so long a period, there were the laws and they had the powers, but Government could not exercise them.

Now, after the ordinances, so many people have given the money to the Government. They have thereafter taken a dip in the Ganges and have now become sin-less. Mr. Daga had put it appropriately. Sometimes these people also help. They say this because they have to go back to their constituency. Otherwise, what will they tell the people? On the one hand, Government are saying that they will penalize and take stringent measures against black-marketeers and on the other, they have given all scope to the black money-holders, those who were so long set scot-free by Government's own action. When some of them have made the declaration, Government want to see that they are rewarded. Here is a positive suggestion and an amendment that the Government can accept.

SHRI PRANAB KUMAR MUKHERJEE: I have covered this point already, when I had replied to the debate, when I had indicated why we are exempting them from the provisions of the Gold (Control) Act and the Customs Act. Quite a substantial part of the hidden wealth and income were in the form of gold and jewellery. As a result, if we wanted to make the scheme a success, it was necessary that immunities under these provisions were extended to the declarants. Therefore, this immunity is

[Shri Pranab Kumar Mukherjee]

being provided, I have already suggested to the hon. Member that if he does not want the scheme, he will have to reject the scheme, in toto. He cannot say that he will accept one part of the scheme and reject the other.

SHRI KRISHNA CHANDRA HALDER: It is a funny argument.

SHRI PRANAB KUMAR MUKHERJEE: It may be funny to you, Shri Halder, but it is a fact. I am not accepting that amendment because it negates the entire scheme of the proposition itself. Therefore, my opposition is not funny. The amendments are really funny. Knowing fully well that they negate the whole scheme itself, they are making such suggestions in the form of innocuous amendments, the effect of which would be to negate the whole Bill.

MR. CHAIRMAN: I will now put amendment Nos. 18, 19, 20 and 21 to the vote of the House.

Amendments Nos. 18 to 21 were put and negated

MR. CHAIRMAN: The question is:

“That Clause 16 stand part of the Bill”

The motion was adopted

Clause 16 was added to the Bill.

Clauses 17 to 22 were added to the Bill

The Schedule

SHRI ERASMO de SEQUEIRA: I beg to move:*

Page 13, line 17,—for “25 per cent.” substitute “50 per cent.” (3)

Page 13, line 10,—for “40 per cent.” substitute “80 per cent.” (4)

Page 13, line 14,—for “60 per cent.” substitute “99.9 per cent.” (5)

Mr. Chairman, what I would like to bring to the attention of the House is the disparity that is going to exist between an honest tax-payer and some body who has evaded taxes, as a result of the Schedule, as it has been presented to the country and to the House.

The higher rate of tax provided in the Schedule is 60 per cent. I would venture a guess that most of the income that has been declared, or a substantial portion of it, is income which was earned when the rate of tax was 97 per cent. Today the rate of tax is 77 per cent; in case it is a partnership it can go even to 85 per cent.

There is one thing extra that has been done to the benefit of the dishonest tax-payer, and that is that a separate assessment has been created for the disclosure. Therefore it is only the extent of disclosure that will be charged to tax, and not the amount of income that was dodged, if you want to use that expression, in a particular year. This is as the hon. Minister will readily admit, in spite of the scheme of non-disclosure of source, which would have resulted in considerably more information with the Government, and considerably larger collection to the Government, the first of which I am sure the Government is trying to avoid and on the second I do not know what is the stand of the Government.

I hope the hon. Minister realises that by making a separate assessment he has also made it possible for unscrupulous persons, and let me tell you that every single person who has made

*Moved with the recommendation of the President.

a disclosure under this scheme is obviously an unscrupulous person to include in their disclosure black money earned during the course of this year because he does not have to disclose the source. He had to make a declaration till December. So, even money which he has earned after March he can disclose under the scheme, and where he would have to pay 75 or 80 per cent, he gets away with 60 per cent. I do not know who the genius was who designed this scheme.

If Government felt that voluntary disclosure was necessary, there were so many options. You had, as you say, the climate for people were so scared of the raids that they would have come forward in any case. You could have provided the same rate as applies to income-tax today and kept a separate assessment. You could have come forward and asked them to disclose the source. That would have also been to the benefit of the unscrupulous, but far less than this.

But to see the way it has come, you put yourself in the shoes of an honest tax-payer. And let me tell you that the majority of tax-payers in this country, the millions, are honest. It is only 2-1/2 lakhs who are not. And out of this, 2-1/2 lakhs as I was mentioning a little bit earlier, probably, three-fourths have never earned this kind of income in their lives, they have only been used in order to receive and distribute the income of those who have earned this and would like to make a disclosure under the scheme. These are facts of life.

It does not need any statistics to know that in the last few months every single tax consultant in the country has been busy planning disclosures, how much should be disclosed in whose name and from which town, and how far the real owners, the real earner of that money, black money, could be protected. So, let us not run away from reality.

If at any time Government feels that a voluntary disclosure is required, let them ensure that it is a disclosure which, whatever else it may do, will give them the source of the income that is disclosed, because minus this it is nothing but an exercise which does not speak well for any sincerity in stopping black money.

SHRI PRANAB KUMAR MUKHERJEE: He has made general observations about disclosures. What reply should I give?

MR. CHAIRMAN: I put amendment Nos. 3, 4 and 5 to the House.

Amendments Nos. 3 to 5 were put and negatived.

MR. CHAIRMAN: The question is: "That the Schedule stand part of the Bill".

The motion was adopted.

The Schedule was added to the Bill.

MR. CHAIRMAN: The question is:

"That Clause 1, the Enacting Formula and the Title stand part of the Bill"

The motion was adopted.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI PRANAB KUMAR MUKHERJEE: I beg to move:

"That the Bill be passed"

SHRI H. N. MUKERJEE (Calcutta-North-East): It is at least a minor blessing that the Minister has shown some restraint in answering Mr. Sequeira just now as well as in the speech which he made earlier, because I was afraid that in the context of today when I find for example, the

[Shri H. N. Mukerjee]

Minister of Information and Broadcasting saying the other day at an exhibition, and I am quoting from *The Statesman's* report, that more had been done in the past ten years than in the last one thousand years in India. A statement made in utter contempt of all history and of common sense. At least the Minister here has not tried to make a song and a dance about what he has done in regard to his voluntary disclosure scheme, and he has spoken in a manner which he spoke something of a guilty conscience in this regard.

There is no getting away from it that vice has been rewarded and virtue punished as has been made clear so many times in different speeches made. But I recall how a similar piece of legislation in other times could perhaps have evoked a much longer discussion at much greater depth than we have had an opportunity of having in this House today.

In English, there is an expression called Curate's egg, an egg which is good in parts and you can eat only parts out of it. Here, this voluntary disclosure matter is good in parts, it stinks in certain other parts. In so far as he has got Rs. 200 crores and odd into the treasury, he is very welcome. But let him not run away with the fact that he has been able to take the capitalists. I say this because we here today talk about socially capitalists who are now in the very good books of the Government, and that is why, they been given a rope long enough to hang the other people in this country with not themselves. And this is the reason why we are here suffering such a great deal.

I once heard even a company, which included some of the highest in the land that the top man in the

Birla hierarchy was not himself as an individual an assessee of income tax. Now, these sorts of things go for egregiously for years and years and years, even during the emergency, you have the wherewithal to put your foot down and collect all the money you want. Look at Bombay and Calcutta where money seems to be in the air, but money in the hands of the rogues of creation. We can get hold of that money, but you do not. Now you come and say that we have done a good job of it. I do not mind the income tax people having a bonanza, they had worked hard enough to earn a little respite I do not mind them a bonus. But they have as Sequeira has pointed out, taken away the bonus from the common workers. But, of course, they are welcome to have whatever bonanza, they want among themselves. Now, with the Ganga water, they have purified the black money. Now, the Minister was trying to shy away from this discussion about the quantum of black money in this country. After all, the *Wanchoo Committee* which was appointed by the Government have calculated that black money operations are about 20 per cent of the gross national product. If that is so, what is the percentage of the money which he has collected? How does he crow over the superiority over the Mahavir Tyagi's disclosure idea and the later disclosure matters, because if you look at this point, there is hardly any time. But, in 1951, they got Rs. 70 crores which was 75 per cent of the total national income at that time. In 1965, disclosures were made which accounted for Rs. 197 crores which works out to one per cent of the GNP. Now what they have would be much less than two per cent of the national income. If that is so, there is nothing to crow over in so far as his achievements are concerned. But I congratulate him because he has been rather restrained in presenting his proposition. You are looking at the clock. And that is why, I was only referring to what was said.

a little while ago, by my friend, Mr. Chandrappan. He quoted Karl Marx. He may be a *persona non grata* with these pragmatic socialists,

(Interruptions)

who do not care for scientific socialism

(Interruptions)

But, at least they care for, I hope, the Mahabharata, there is a *sloka* which points out how big money is made.

न ङ्ङित्वा परत्नर्माणं
 न कृत्वा कर्मा दुष्करं ।
 न हत्वा मत्स्यघातीयं
 प्रान्नोति महती मित्रः ॥

Big money cannot be made unless you tear the hearts out of other people, unless you do the most black-guardly jobs, unless you kill as the fisherman as he kills the fish. Unless you do that, you cannot get big money. This is what Karl Marx has said in his historical chapter of *Kapital* when he quoted a Frenchman called Augier who had said earlier,

"When money comes into the world it has a congenital blood stain on its cheek".

But Karl Marx added, when capital comes into the world, it comes with blood and dirt pouring out from every pore of the body of those people whom they are taking to their heart today as socially conscious capitalists and to that tribe of men they are making concessions at the time of Emergency when the mandate of the people is there. If only they had the will, they could answer the accusations of certain persons abroad that we are a soft State, and we do not know what to do in order to proceed towards some kind of socialism. As I said earlier, may be this variety of pragmatic socialism is something

which is beyond the ken of the likes of us. It is a little too late for us to learn new definitions and connotations of socialism.

SHRI SOMNATH CHATTERJEE (Burdwan): Mr. Chairman, Sir, there are one or two aspects of this Bill as presented before the House which should be brought to the notice of the House.

The Ordinance was promulgated on the 5th November. The Minister says, if we make any alteration in the Bill, then the whole purpose of the scheme goes and it will negative the entire scheme. Therefore, he says, when the Bill comes up for discussion in the House, we cannot even suggest an amendment and the Minister cannot even consider an amendment. What is then the function of this House when we consider an Ordinance like this or a Bill like this? We have either to accept it or reject it in toto. Whatever suggestions may be made by way of amendments, the House cannot even consider them. That is the attitude taken by the Government.

They have in their wisdom promulgated an Ordinance which was already overdue, conceived of a scheme and gave effect to it before the Parliament which is representative of the people could even make any suggestion for its alteration. This is the way they want the Parliament to function and they go on merrily with this deliberate surrender to a section of the people.

The hon. Minister said, if I quote the figures rightly, that about Rs. 700 crores of concealed income and wealth has been disclosed and that the tax realised is about Rs. 250 crores, That is including the wealth-tax. Therefore, deducting the wealth-tax, it is less than Rs. 250 crores or it is about Rs. 240 crores that has been realised. Hence, about Rs. 450 crores of money has been legitimised, as Mr. Salve

[Shri Somnath Chatterjee]

said. This has gone into the channel of national wealth. This has become the white money, the purified money. For what purpose will this be utilised? Is there any condition laid down in this Bill or in the Ordinance? Are we saying that this money should be utilised for nation-building activities, for any public welfare scheme? No provision is made.

Now, these people who earn money obviously by dubious methods and who have been cheating the Government admittedly for all these years will now be given a clean slate to utilise it in any manner. The only obligation I find is to bring the amount in their books of accounts. They know how to manipulate. This will breed what sort of income in future nobody knows. What is the control of the Government over it? Nobody knows. Over Rs. 450 crores have come as a prize to these people. With white money, they can do whatever they like. There is no control. This is the position.

With regard to Rs. 55 crores which is an amount of tax paid by these 4000 and odd assesseees against whom raids and seizures have been made, who have been found out by the efforts made by the Income-tax Department, I want to say one thing.

12.00 hrs.

I admire these income-tax officers who are working under the greatest constraints and restraints and political influence. I do not mind some reward being given to them. They deserve encouragement. Many of them are doing good work. But when they have done something and they could have made a much greater realisation on behalf of the Department from these 4,000 people, you reduced their liabilities! The officers of the Department, with great efforts, found out the sources of this money, but

now you give these people a respite, and these 4,000 people are now going scot-free; the Department's efforts go in vain. When Mr. Chandrapan was stressing on that, when Mr. Sequeira was stressing on that, this was the rationale behind it. When the Department makes efforts and succeeds, the praise is not going to the Department but to those persons who are caught! Therefore, if we say that the object is not really tackling the problem of black money which has eaten into the vitals of the economy of this country but is to give certain favour or protection to a section of the people, then nobody can accuse us of trying to do something which will affect the economy of this country.

I would like to know two or three things from the Minister. This cannot be a Bill or a proposal to tackle the problem of black money, because, it does not contain any proposal which will stop generation of black money. There is no provision in this Bill which does away with the evils which grip the nation's economy. Will this become, like poverty and Emergency, a permanent feature in our country? I would like to know this. Will this be a periodical exercise? Because, without being able to deal with the problem at its roots, without being able to stop the generation of black money, how will this problem be solved? Will you go on giving them an opportunity every time to come out on their own, disclose the black money, get a clearance from the Government and go back with white money? Is this the scheme? Therefore, I would like to know from the hon. Minister whether this will be a periodical exercise. There are people who know this: they can go on doing this for five or ten years; then Mr. Pranab Kumar Mukherjee—I do not know whether he will be there to pilot such a Bill or somebody else will come; I wish Mr. Pranab Kumar Mukherjee rises to greater heights, he has all my best wishes—or whosoever comes, if this party goes on ruling this country and

if this system of administration continues, will again come with such a favourable proposal and, therefore, with little *quid pro quo*, this can be achieved.

Therefore, the hon. Minister will have to satisfy us what really is the object of this except to get money. Is this the policy of this Government that, somehow or other, more and more taxes may be realised? Are the means important or not? Are you satisfied only with this that somehow more money has to be gathered as taxes? By making concessions to capitalists and black-marketeers, you get Rs. 200 crores and you seem to be very happy and you are patting yourselves on the back that you have done a great job! You are giving them better treatment because of this so-called voluntary disclosure. By merely making this so-called voluntary disclosure, they will become angels from tomorrow and they will never make any suppression or concealment of any income in future! Is there any rationale behind it? You say that you will bring them to the path of civic responsibility. Civic responsibility here ceases as soon as they get away with a smaller amount of income-tax. Where is the guarantee of continued civic responsibility in future? That is the point we want the hon. Minister to answer. Where is the guarantee for that? What is the provision in the Bill that, in future, this civic responsibility will continue? Suddenly it has dawned on the Government that they must bestow or inject a sense of responsibility on some of the people of this country by allowing them to go away in this manner! This responsibility will become a perennial feature in their mental set-up and in their financial system. Therefore, I would like to know from the hon. Minister, firstly what is going to be done with the money which has now become white by reason of their good blessings. Secondly, how do you wish to tackle this problem in future; have you got

any proposals to go on like this giving this favour to such people in future? Thirdly, whether the Government believes that mere getting more and more money as taxes, by whatever dubious means the Government adopts, is the end-all and be-all of this Government.

You say that you will utilise the taxes for so-called nation building purposes. We have got our reservations. Why not compel these people who have accumulated money at the expense of the society and economy of this country to utilise money for nation building purposes? Government should say that these are the objectives and these are the priority sectors and you must invest the money. There are no such proposals.

You say that you have got this extra money by way of a windfall. But are you going to give any relief to the persons in the lowest income-tax brackets? These people are already under the greatest of miseries and difficulties. Small traders and others are within the income-tax net. They cannot get out of the net; give some relief to these people, and utilise the money that you have realised as a windfall so that these people who are in the lowest income bracket can get some relief. I hope, the hon. Minister will keep these things in mind. I know, he is a prisoner of the circumstances and situation; he cannot say anything; he has a closed mind, he is not allowed to open it and consider any proposals, good, bad or indifferent. He may at least try to consider when they evolve their schemes, if any, in future.

THE MINISTER OF STATE IN-CHARGE OF THE DEPARTMENT OF REVENUE AND BANKING (SHRI PRANAB KUMAR MUKHERJEE): Mr. Chairman, Sir, I am neither a prisoner of circumstances, nor I have a closed mind, because as I explained, the purpose of this Bill is limited in the sense that this is just one of the

[Shri Pranab Kumar Mukherjee]

various measures which the Government have taken to unearth black money. I also mentioned in my introductory speech and later on while replying to the debate that this is a scheme which was in force from 8th October to 31st December, 1975 and at the same time, other measures like searches, raids, surveys etc. as they continued in the past are continuing today. This is not something isolated which has been brought before the hon. Members, or it is out of the context; this is one of the measures which we considered fit and which we found advisable to apply at that particular moment because of the situation created by intensification of searches and seizures. Therefore, the hon. Members may have their honest difference of opinion, whether that was the appropriate time, or whether those were the appropriate measures, or whether this is an appropriate piece of legislation. We have our own arguments and I have tried to the best of my abilities to place our viewpoints so far as this piece of legislation is concerned.

Mr Chairman, Sir, I would like to submit most humbly that this is not something which is all-comprehensive. The hon. Mr Chatterjee wanted to know, why there is no provision in the Bill about what we are going to do about the money which is being channelised and which comes to the mainstream of the national economy. It is not the fact that we have not given any indication. In my speech, I pointed out and I have given the figures also that 5 per cent of the disclosed income and 2½ per cent of the disclosed wealth are to be invested in the Government securities which are to be invested *inter alia* in the priority sector like slum clearance and other social priority schemes. Therefore, this is not a fact that we have not given any information to the House. I said that I have given this information. It may not be sufficient

for you. Here, we have already accepted that. We have a different approach but at the same time you cannot say that whatsoever I am saying is inconsistent. It may be inconsistent with you, but it is very much consistent with my line of argument. I do feel that the situation was created where we could unearth a percentage of black money. I do not know what is the quantum of the black money which is operating. Mr. Chairman, most humbly I refuse to enter into that controversy whether it is Rs. 7,000 crores, Rs. 14,000 crores or Rs. 20,000 crores or Rs 25,000 crores because we have no scientific basis to come to the definite conclusion as to what is the quantum of black money operating in the country. But it is a fact that it has been realised that quite a substantial amount—of the order of Rs. 1,500 crores in the form of declared income, in the form of declared wealth has come in the mainstream of the economy. In reply to another supplementary question I suggested that a substantial part of it will go to the States, as 80 per cent of the income tax goes to the States as a part of divisible pool. Therefore, the States will have better and improved ways and means position. But it would be really difficult for me to indicate whether this Rs. 470 crores or whatever odd figure Mr. Somnath Chatterjee has quoted would come in the mainstream and in what way it will be invested.

One point I would like to suggest, we make exercises in which way the white money is being invested and the investment policy of the country is always to see that these are being invested in the priority sector. At least one expectation we may have, because of the very nature of the expenditure that the money which comes in the mainstream of the economy is not usually spent on ostentatious purposes. Those are invested in a purposeful and meaningful manner. Therefore, this much of expectation we may have the income and wealth

which has come in the mainstream of the economy after being disclosed.

Another point he has mentioned is that we are not accepting any amendment. Perhaps, he is very much aware—and it is clear from the very nature of the Bill—that this is a Money Bill.

SHRI SOMNATH CHATTERJEE: I am on a point of principal procedure. If schemes like this are passed by ordinance and the Government comes forward and says if any alteration is made, the whole scheme falls through the whole amending process comes to naught. That is what I am saying that you come forward with a proposal in the form of a Bill. As the hon. Minister said repeatedly 'I cannot accept any amendment because that will negative the entire scheme', we cannot put forward any amendments because he cannot consider it.

SHRI PRANAB KUMAR MUKHERJEE: As the hon. Member, who is a veteran Member of Parliament, is aware, there are certain matter on which hon. members can discuss but they cannot change. If they change, Government is ultimately to resign.

I do not go into that aspect and the whole aspect of these things. These schemes.... (Interruptions).

MR. CHAIRMAN: I seek your protection.

I wanted to clarify the position. You can give so many cut motions in the Budget but nobody accepts your cut motion.

MR. CHAIRMAN: Neither Mr Minister alone nor the Opposition alone can have it. It is for the House to

accept or not to accept. You have moved your amendment and the House has said 'no'. Therefore, that question does not arise. Please continue.

SHRI PRANAB KUMAR MUKHERJEE: I did not expect that this question will be raised by a veteran parliamentarian like Shri Somnath Chatterjee. The whole exercise was over by 31st December. We have accepted that scheme. It was put into operation by an ordinance and after that....

SHRI SOMNATH CHATTERJEE: Mr. Mukherjee, the way things should have happened....

MR. CHAIRMAN: No, no, it is all right. Mr. Minister, please conclude.

SHRI PRANAB KUMAR MUKHERJEE: I do not think there was any irrationality in ordinance because Parliament was in Session and it was in the month of October that the ordinance was issued by the President and it was not in the month of November as has been pointed out by Shri Chatterjee.

I do not think, Sir, there is any other fresh point which requires to be answered by me. Thank you.

सभापति महोदय : प्रश्न यह है

कि विधेयक को पारित किया जाये ।

The motion was adopted.

18.18 hrs

The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, January 20, 1976/Pausa 30, 1897 (Saka).