

**Mr. Speaker:** If you want a division, you will have it. Let the lobbies be cleared. I might just express my apprehension here. If this decision is taken by this House, I might lose the discretion of one hour that I have got at present. Hon. Members may bear that in mind. Now, the question is:

"That the time allotted for the Constitution (Eighteenth Amendment) Bill, 1964 be extended to ten hours."

Those in favour may say 'Aye'.

**Some Hon. Members:** 'Aye'.

**Mr. Speaker:** Those against it may say 'No'.

**Several Hon. Members:** 'No'.

**Mr. Speaker:** The 'Noes' have it.

**Shri S. M. Banerjee:** Let them have it.

*The motion was negatived.*

**Mr. Speaker:** Do I have to put the other motions to the vote of the House? Does Shri More press his motion?

**Shri S. S. More:** If you so desire, I will not press it.

**Shri U. M. Trivedi (Mandsaur):** I support the motion of Shri More.

**Shri Shinkre (Marmagoa):** I also support it.

**Mr. Speaker:** I do not think the advocates (Amendment) Bill requires five hours. We can allot four hours for that instead of two hours.

**Some Hon. Members:** Yes.

**Mr. Speaker:** Regarding the Goa, Daman and Diu Judicial Commissioner's Court (Declaration as High

Court) Bill, I do not think it requires as much as five hours.

**Shri Nath Pai:** But one hour is hardly sufficient.

**Mr. Speaker:** We will give it two hours instead of one hour.

The question is:

"That this House agrees with the Twenty-sixth Report of the Business Advisory Committee presented to the House on the 21st April, 1964 as amended by the House."

*The motion was adopted.*

12.11 hrs.

COMPANIES (PROFITS) SURTAX  
BILL, 1964

**The Minister of Finance (Shri T. T. Krishnamachari):** Sir, I beg to move\*:

"That the Bill to impose a special tax on the profits of certain companies be taken into consideration."

The Bill is a short and simple one. I have dealt with it in the budget speech and I have covered more or less the same ground while introducing the Finance Bill. I shall, therefore, confine myself to explaining its broad scope and incidence. Since the presentation of the Bill, a few amendments to widen the scope of the concessions and incentives provided in it have also been formulated. To these also, I shall refer while explaining the framework of the original provisions.

In the budget speech, I had briefly explained the circumstances . . .

**Shrimati Renu Chakravartty (Barackpore):** A little louder please.

\*Moved with the recommendation of the President.

**Shri T. T. Krishnamachari:** I am speaking as loud as I can.

I had briefly explained in the Budget speech the circumstances in which it was decided to discontinue the super-profits tax and to replace it by a tax that would have a generally lower and more equitable incidence and would be better adapted to the requirements of our policy towards private industrial investment. This policy, as it has been reflected in the various fiscal measures of the current Budget, has been explained on more than one occasion. But, I have, even at a certain risk of repetition, to refer to it once more since the rationale of the provisions in the Companies (Profits) Surtax Bill is again derived from the same set of objectives. Briefly, these objectives are that we see the need to generate greater savings in the corporate sector as one of the prime needs of the day. With greater savings, there should be an increasing plough-back of it for the purposes of industrial expansion and growth. There should not only be growth generally, but adequate investment should flow into those industries which have a high priority in our design for development. In the process of growth and alongside of it smaller units should be encouraged in order to induce the diversification of ownership. Foreign private investment needs to be attracted to some extent to improve our balance of payments and for the transferance of complex skills and know-how to Indian industry. It is in the light of this overall strategy, that I would appeal to the House to consider the Bill that I am placing before it.

The proposed tax is to be levied on the chargeable profits of companies, in excess of 10 per cent of the capital base or a sum of Rs. 2 lakhs, whichever is higher, at a uniform rate of 40 per cent of such excess profits. The levy at a uniform rate of 40 per cent is, in itself, appreciably lower than the two-tier schedule of rates that obtained in the super profits tax, namely, 50 per cent on the chargeable profits between 6 to 10 per cent of

the capital base and 60 per cent on the balance amount. As I shall explain presently, the statutory deduction and the capital base are each of them more liberally computed in the new tax so as to bring about a generally lower and a more equitable incidence of tax.

The chargeable profits, for the purpose of surtax will be the total income of the company as computed under the Income-tax Act, exclusive of certain items of income and sums specifically exempted from surtax and further reduced by the income and super-tax payable by the company except on certain exempted items of income. As the chargeable profits are to be computed with reference to the total income, determined under the Income-tax Act, all the concessions available under that Act will, automatically, be available as deductions for the surtax also.

In addition, some of the main items of income and sums specifically exempted from this tax are profits of a life insurance business, capital gains, inter-corporate dividends which have been exempted from super-tax under the provisions of the Finance Bill, profits of newly established industrial undertakings attracting the five year 'tax holiday' under the Income-tax Act and charitable donations qualifying for income-tax relief. Consistent with the policy for attracting private foreign investment, income arising in India to non-resident companies by way of interests and fees for rendering technical services will also be exempt. Banking companies, whether Indian or foreign, will be entitled to a special deduction for the amount of the statutory reserves or deposits made with the Reserve Bank of India under the provisions of the Banking Companies Act or any reserves created by them in India (subject to certain limits), whichever is higher.

I must, however, add that the extra amount of super-tax payable by companies on their distribution of equity dividends, at 7.5 per cent of such

dividends, will not qualify as a deduction. The reason for this is clear as the object of the levy on dividends is to place a restraint on the distribution of profits and this objective has to be reflected in the surtax as well.

The statutory deduction in this Bill, as explained earlier, is 10 per cent of the capital base or a sum of Rs. 2 lakhs whichever is higher. It will be recalled that the corresponding deduction in the super profits tax was 6 per cent of the capital base or a sum of Rs. 50,000 whichever was higher. The effect of the more liberal statutory deduction in the present Bill will be that comparatively small companies or new companies whose profits before tax do not exceed 4 lakhs will not be liable to surtax at all. In other cases, the liability to surtax will be attracted only when their profits exceed 20 per cent of the capital base, including their long-term loan capital. As the surtax will, thus, be attracted only at comparatively high levels of profits and as its incidence will also be generally lower than that of the super profits tax, it has not been considered necessary to make a provision of carry-forward and set off of any deficiency of profits against the chargeable profits of subsequent years. This is, I am told, one of the basic defects that has been pointed out by industry. But that is the explanation for it.

I may further point out that as compared to the super profits tax, the statutory deduction is not only a higher percentage but a higher percentage of a larger capital base. The capital base for surtax will include not only the paid-up share capital and all reserves of a company, including the development rebate reserve, but also its debentures and the loans specified in the relevant rule in the Second Schedule of the Bill. The inclusion of loan capital, as specified, in the capital base will remove the discrimination against younger industrial units which has not built up adequate reserves and against units whose capital base included a large amount of loan capital. This discrimination

was inherent in the capital base computation in the super profits tax and resulted in the somewhat anomalous effect that precisely those units which needed to build up adequate reserves felt a higher incidence of the tax, making it more difficult for them to do so.

I shall at this stage refer to the amendment which I propose to move to clause (v) of Rule I of the Second Schedule regarding the inclusion of certain borrowed moneys in the capital base. Under the existing provision, the moneys borrowed from a banking institution are includible in the capital base only if they are repayable in not less than 10 years and moneys borrowed from abroad are includible only if they are borrowed for the creation of any capital assets in India. None of these conditions are, however, applicable in respect of moneys borrowed from the Industrial Finance Corporation or the Industrial Credit and Investment Corporation of India or from any financial institution approved by the Government. I now propose two main changes in these provisions. The first is to provide for the inclusion of moneys borrowed directly from the Government also in the capital base. The other change is to provide that borrowed moneys will be allowed to be included in the capital base subject, uniformly, to the conditions that the minimum term of repayment of such moneys should in all cases be 7 years and the purpose of the borrowing should be the creation of a capital asset in India. This liberalisation would enable medium term borrowings for creation of capital assets such as borrowings from the Re-Finance Corporation to be included in the capital base.

I must here clarify that as a corollary to the inclusion of borrowed moneys in the capital base, the interest payable on such amounts will have to be added back, as all interests are added back, to the chargeable profits in order to avoid a double deduction, namely, once in the determination of the assessable income with reference

[Shri T. T. Krishnamachari]

to which the chargeable profits are computed and again in allowing the 10 per cent deduction on the borrowed money included in the capital base.

In line with the general scheme of corporate taxation in the Finance Bill, a specific incentive has been provided in the Surtax Bill to encourage investments in priority industries. This is in the nature of a special rebate of 20 per cent of the normal amount of surtax payable by a company on any profits derived by it from the generation or distribution of electricity or the manufacture or production of the articles specified in the list of the Third Schedule to the Bill. This list is identical with the list originally incorporated in Part IV of the First Scheme to the Finance Bill. The House will recollect that it has since approved certain changes in this list. These are, mainly, the inclusion of electronic equipment and petro-chemicals the deletion of coffee and rubber, the modification of the entry relating to electrical equipment and the inclusion of some new items, such as manganese ore, dolomite, mineral oil etc., in the entry pertaining to minerals. It is, consequently, proposed to move amendments for making similar changes in the list to the Third Schedule to the Companies (Profits) Sur Tax Bill in order to make it identical with the list in the Finance Bill as it has been finally approved by the House.

In the six weeks and odd that this Bill has been before the Parliament and the country at large, I am happy to notice that it has been generally well received. As I have explained today, the Bill is an integral part of the overall scheme of taxation embodied in the Finance Bill which the House has approved and has the same underlying objectives. I am, therefore, confident that this Bill will meet with the unanimous approval of the House.

Sir, I move.

**Mr. Speaker:** Motion moved.

"That the Bill to impose a special tax on the profits of certain

companies be taken into consideration."

**Shri T. T. Krishnamachari:** May I know the time allotted for this Bill?

**Mr. Speaker:** 3 hours have been allotted.

**Shrimati Renu Chakravartty:** The Companies (Profits) Surtax Bill is replacing almost the super-profits tax which was introduced by the hon. Finance Minister's predecessor in office. The proposals made by Shri Morarji Desai were criticised very vehemently and rightly so. But during this year, the super-profits tax which he had imposed and against which there had arisen a huge furore right throughout the country is now being scrapped, and in its place the Companies (Profits) Surtax Bill has been brought forward.

The results of the working of the super-profits tax have been disappointing for revenue and encouraging for the bigger companies. That was why at that time also we had criticised it. But this super-profits tax was in force for one year only, and of course, we must say that what should have replaced it has not actually replaced it. Instead of that, we have now got the Companies (Profits) Surtax Bill which has made big business quite jubilant. Of course, I do not know what my hon. friend Shri M. R. Masani will say. He will probably want further reductions. There is no doubt about it.

**Shri M. R. Masani (Rajkot):** Wait and see.

**Shrimati Renu Chakravartty:** But I am quite sure that he will have to welcome this Bill because it will give a great deal of advantage to the bigger companies in place of the old super-profits tax Bill. Actually, neither the Excess Profits Tax Act of 1940 nor the Business Profits Tax of 1947 had given as many advantages

as the Companies (Profits) Surtax Bill is going to give now. As a matter of fact, in my own State, companies such as the Indian Aluminium, the Metal-box Co., Guest, Keen and Williams had either to pay no super-profits tax or had to pay only an insignificant amount. That was the position with regard to the super-profits tax Bill. We had wanted a tightening of that Bill. But now we find that even the super-profits tax has been watered down by the present Bill.

The rules for computing the capital of a company are already confusing. The present proposals—including the proposals which the hon. Minister has just now made, which I have not been able to catch; it is very unfortunate that we are flooded with certain new proposals at the very last minute—make it more confusing or will make the confusion worse confounded. But I could make out this much that the computation will be liberalised. Instead of the 6 per cent reduction on the paid-up capital and the reserves as per the super-profits tax Bill, the reduction envisaged in this Bill is as high as 10 per cent of the capital, reserves etc. And I believe that there will be further liberalisation as a result of the amendment which has been tabled. I could not gather everything, but I could make out this much that as a result of the new proposal, there will be a further liberalisation. It may be, as the hon. Minister says, that it will be better for the smaller companies. I am not in a position just now to give my opinion as to how far that will be true. But even that, I think, will be a Rs. 4 lakhs base.

**Shri Alvares (Panjim):** Below Rs. 2 lakhs.

**An Hon. Member:** That is already there.

**Shrimati Renu Chakravarty:** Now, the rates of surtax have been very considerably reduced. I think they are of the order of 40 per cent. I am comparing with the Super Profits Tax. It is 40 per cent on the amount by which the chargeable profits exceed

the amount of the statutory deduction whereas the corresponding rates were 50 and 60 per cent. As we see from the papers, the companies in Calcutta and Bombay are inwardly jubilant, because they know that the incidence now will be considerably less.

The relief to the assesseees, especially to the bigger assesseees, is admittedly also greater, and the surtax is designed not to bring in more revenue, but to give a misleading notion that their profits are being mopped up. It is very important that we must mop up their profits, but this giving of incentives has only led to further concentration. It is said that we want these profits for building up further capital base, for building up more reserves for further industrialisation and expansion, but actually what has happened is that there has been more concentration in the hands of a few.

This question of mopping up of their profits should have been foremost in the mind of Government, but instead of that, we have rather a relaxation, and that is why we are opposed totally to this further relaxation in the form of the Companies (Profits) Surtax Bill.

With regard to foreign capital also, there are certain specific incentives which have been given. I have made my position very clear when I spoke on the Finance Bill itself. As far as foreign capital, particularly private foreign capital is concerned, I consider that any further increase in this is going to have disastrous results politically for our country, as it would have for any other under-developed country. On this we are very firm, and we believe that in the course of the next few years, if we are going to open wide this gate to allow private foreign capital to come in, we shall be again forging the shackles of political dependence, but the Finance Minister just brushed it aside. Unfortunately, I was not here when he replied, I had to go out on some urgent work, but he just seems to have dismissed it and said: after all,

[Shrimati Renu Chakravartty]

I do not think it needs an answer, people know we will never barter independence. I think the people will have to have some better assurance, for a concrete understanding of past history will belie this expectation that the people are not worried already as to the trends they see with regard to the encouragement of private foreign capital, which will not only take away a lot of our own earned profits but will wield have a pernicious political influence on our country.

As a matter of fact, the Budget proposals for 1964-65 have given several tax reliefs both for domestic and for foreign investments, and one of the most harmful is the foreign investment will, also benefit from the exemption of inter-corporate dividends from super tax. Already, there is the case of the royalties; they are also going to be exempted from it. And the tax on technical services or fees is now reduced by 50 per cent. I have spoken on this, and again I say that there should be a further narrowing down of this definition of what you mean by technical services. We do not want that technical services which are available in India should get this tax exemption. As a matter of fact, I know that there are many people in Europe—a lot of people in England, I do not know about other places— young people who are anxious to come out to India because their terms and the conditions in which they will live here are much better than they would get in many places in their own country. Therefore, youngsters come out as technical advisers, as people who are going to give us technical services, while we find the greatest frustration among our young people, those who have got technical know-how, those who have gone abroad spending our foreign exchange for getting that scientific knowledge, because they do not get a chance after coming back. Only yesterday I think somebody was saying if it is white skin, naturally the technical services seem to be of

a higher order according to some people. That is a slave mentality which we have to overcome.

If there is some know-how which we have not got, and there are so many fields where we do not have the know-how, certainly we can give it, but we should define it very specifically and the specific fields of technical know-how which we shall allow for this incentive should be clearly laid down.

With these words, I oppose the Companies (Profits) Surtax Bill.

Shri M. R. Masani: Mr. Speaker, today the House is somewhat in a position of an anti-climax after the debate of the last few days on the Finance Bill. One gets the feeling that yesterday one witnessed somebody being murdered, today one only sees the poor man's pockets being picked to see what the pickings are. In such a situation, all that one can do is to repeat one's protest both against the original crime and the petty thieving that follows.

It has been said that the Super Profits Tax has been scrapped. The previous speaker said so. On the contrary, it has not been scrapped. Only the name has been changed, and certain other changes have been made. The claim is made that this is better than the super profits tax. I agree. I think, taken as a separate measure, it is a better devised measure is more equitable. It distributes the burden wider. I do not at all deny that, measure to measure, it is a better devised measure. But the relief that this change gives will be limit to a number of companies which have been extremely hard-hit by the SPT. I am glad they will get the relief. On the other hand, many companies which had escaped super profits tax are now brought within the ambit; particularly section 104 companies which had escaped the earlier measure will now also share in the burden. Last year, Mr. Morarji

Desai, my hon. friend's predecessor, had stated:

"If the effect of the Super Profits Tax is to retard development and the growth of the corporate sector... then the measure would not be justified and I would be the first person to ask the House for a repeal of the provision."

The hon. Minister has stated earlier, speaking on the Budget:

"There has been considerable criticism in respect of the super profits tax and the uneven nature of its effect on industry as a whole. The net result has been that it has produced a psychological resistance and has to some extent affected industrial growth."

One would have, therefore, expected that Mr. Morarji Desai's promise of repeal of that Act would have been carried out. But all that we find is replacement of that by a measure broadly the same.

The real point against this measure today—I am opposing the Bill as a whole—is that there is no case for a Surtax Bill. A Surtax Bill would only be justified in the level of profits and dividends were inordinately high. If one takes a cumulative view, one finds that the cumulative effect of the dividend tax of 7.5 per cent on all dividends, 10 per cent additional corporate taxation on small companies, and the capital gains tax on bonus shares combined, along with the estate duty and the gift tax and personal taxation, makes it more than certain that the already low level of profits dividends in this country will be further depressed.

I rely on the studies of the Reserve Bank of India to show that the level of profits and dividends is already low and that it does not justify this measure. These studies on the working of 750, 1001 and 1333 companies, covering respectively two-thirds three fourths and 87 per cent of the total paid-up capital of public limited joint

stock companies operating in this country, shows that in the case of industries the percentage of dividends to net worth—that is, capital plus reserves, ranges between 4 per cent to 7 per cent giving an average of 6 per cent and the percentage of dividends to paid up capital varies from 7 per cent to 12 per cent yielding an average of 11 per cent. It also shows that a portion of the profits is distributed as dividend and that the balance is, in the form of enforced saving, retained in the business for growth and expansion. For all industries, the amount so retained is on an average 4 per cent of the net worth and 6 per cent of the paid-up capital. Out of the total gross capital formation of about Rs. 1150 crores between 1951 and 1961, the internal resources of the companies covered by the Reserve Bank survey accounted for about 80 per cent of the total finances required.

Now, when the current rate of bank borrowing in this country is today anything from seven to eight per cent, when the debenture and preference capital cannot be easily raised at nine to ten per cent, can, by any stretch of imagination, equity dividends of six per cent on the net worth and 11 per cent on the paid-up capital, be called excessive or extravagant? The answer is a clear "No." And that is why there is no case whatsoever for this Bill being brought before Parliament today. It is the proverbial last straw which would break the camel's back.

If there be any awareness of the realities on the part of the Treasury Benches, they would have come today and said, "Stop; enough damage has been done by us; we will now drop this measure." But, of course, that would be too much to expect because, Sir, if I may say so, the country is today in the hands of economic quacks.

The patient suffers from low blood pressure. There is stagnation. There is anaemia. But the patient is now

[Shri M. R. Masani]

being treated for high blood pressure instead. It is just like a patient suffering from low blood pressure having leeches put on him to draw away the little blood that remains in him! This is the kind of treatment that this country is being today subjected to. The leeches that are let loose on the people to draw away their blood are the bureaucrats and the politicians in office: the new vested interests who work together; as I said, the combination of the Malaviyas and the Serajuddins who batten and fatten on the country today.

As I have said earlier, this budget as a whole, including this Bill, is an attempt at industrial conscription. It is an attempt at conscripting all the investible resources in the hands of the Government, just as in time of war all the blood and the lives of young men in the country are conscripted by the Government in defence of the country; in one cause it would be justifiable, because it would be for the defence of the country. But here it is not the defence of the country but the interests of these new vested interests, of corrupt businessmen and corrupt politicians working together.

Twelve months ago, my hon. friend's predecessor showed the same self-confidence, the same self-assurance about the effect that it was going to have, that was going to do to the country a great deal of service, by the SPT and by the Compulsory deposit scheme. We saw what happened within six months of those Bills. I regret that my hon. friend, the present Finance Minister, seems to be basically following, with slight deviations, in his predecessor's footsteps. I regret it, because he has the intelligence, as he has shown by Part A of his speech to understand what the real remedy is. He diagnosed low blood pressure. He says we must give a dose of stimulation and then what does he do? He puts leeches on the

patients to draw away the blood! This contradiction between his own understanding of the situation and his own diagnosis and his treatment is what is really going to harm him in time to come and to harm the country, Both of which I would deplore.

The Planning Commission, I am told, I read just this morning in the papers are now engaged in an exercise; the exercise in which they are engaged is how to raise the rate of growth from the present miserable two per cent or thereabouts to seven per cent, so that the targets can be achieved. Sir, I wish them luck. I wish we could raise the target to seven per cent. But these are not the men and these are not the measures by which the rate of growth can be sent up to seven per cent. Until this Government is changed, there is no hope of this two per cent going up to anything like three, four or five per cent, leave aside seven per cent, because of the mistakes that have been made are being repeated over and over again.

I shall be told that every country gets the Government that it deserves. That is broadly true, and no doubt in the coming twelve months, the whole country and all of us will pay for the mistake that the electorate made in 1962. But of all the classes in the country who made that mistake, the most culpable and the most criminal are large elements of our business classes. They had been amply warned; they knew what they should expect from this group of people with their Marxist dogma and their State capitalist pattern. But yet, the large bulk of them went and got on the band wagon and helped in returning this Government to power.

Shri Nath Pai (Rajapur): They have everything to do. Find out; just read that part of the Mahalanobis Committee's report, where every institution has been used for the benefit of big business in this country. They do not invest without knowing their benefit in return.

**Shri M. R. Masani:** I was going to say—I agree with Shri Nath Pai basically—a little before he interrupted me, that these elements in the business classes unfortunately in India they have been in a majority—they have put their immediate short-term interests ahead of their long-term interests and the interests of the country as a whole. They have tried to go in for the quick rupee, through permits and licences, rather than consider what kind of country their children will be growing up in, whether those children will be able to breathe the free air of a free society or would suffer as robots under a totalitarian dictatorship.

**Shri Joachim Alva (Kanara):** Some leading businessmen in India gave, 50 per cent to the Swatantra party.

**Shri Nath Pai:** 33 per cent.

**Shri M. R. Masani:** That is exactly what I was trying to say: even if a handful of them picked up that much courage, they had to re-insure by giving twice as much to their opponents that they gave to three friends! That is exactly what I am referring to. The fact is, with honourable exceptions, the bulk of the business class, including many honest business-men unfortunately along with the bad eggs, have been indulging in this very short term device of feathering their own nests and letting the interests of the country and their own fundamental interests go hang.

Year after year, we see the nauseating spectacle of these gatherings of businessmen meeting in Delhi in the month of March inviting for the inaugural address,—who? not their friends, but the Lord High Executioner as Gilbert and Sullivan would have called him—who goes every year and gives them a smart kick in the pants for which they pass a vote of thanks!

**Shri Nath Pai:** The present Finance Minister is an exception.

**Shri M. R. Masani:** This shows the servile and supine character of large elements of this class. We may say, let them catch it; they deserve it; I would agree. And if only the interests of a handful of these big businessmen to whom Shri Nath Pai referred were involved, I would be the last to shed a tear, but the fact remains that since we want capital formation, since we want to increase the rate of growth, the only way is for the first priority to be given to increased production and increased productivity. We need those people; we cannot do without them. In other words, free enterprise, such as it is, is an essential element in a free society. The alternative is communist dictatorship of the Chinese and Russian variety. So, that is why, whether they deserve it or not, one has to give them a fillip to collect the capital which the country requires for capital formation.

The majority of businessmen, as I insist, are good honest people. They are being led or misled by dubious elements. It is time, after this budget, that they opened their eyes and asserted themselves and the businessmen with clean hands, who have nothing to hide, came forward and gave a correct lead to their class. This is now probably the last warning they have before they are liquidated. If they do not do it now, they will reserve what is coming to them. Let them even now realise their civic and political responsibilities. Let them realise what agree society enjoins, what kind of policies they should follow and want the Government to follow, if their children and the children of all of us are to be free citizens in a free India.

I believe that the beginnings or the first signs of that awareness and education are visible. I would like to think that the debate that started on the 3rd March and ends today or tomorrow will have played an educative part in making our people aware of these harsh realities.

**Shri Morarka** (Jhunjhunu): Mr. Speaker, Sir, as I heard the hon. speaker who preceded me, I was a little surprised because I expected at least the hon. Member Shri Masani to say something about the merits of the Bill. He deal with mostly the generalities about corruption, about contribution to political parties, etc. The hon. Member, Shrimati Renu Chakravartty, said that this Bill is more soft, or much softer than the previous one, namely, the super-profits tax measure. That is true; the rates are reduced; the capital base is increased and its is sought to be made more rational. But, at the same time, she must remember two main provisions which existed in the previous Acts and which are now taken away in this one. The first one is that in the Super-profits Tax Act, there was a reduction of 10 per cent from the taxable total income or 20 per cent from the chargeable profits given before charging any super-profits. Even after determining the chargeable profits, the reduction of 20 per cent from those profits was given before any tax was charged. That was under the Super-Act, Now, under the new Act, that concession is removed.

The second special concession which has been removed as compared to the previous Act is the benefit of carried-forward losses. If in one year there was no profit or there was a deficiency, then it was taken to the next year i.e. the deficiency of the previous year was taken into consideration in the next year. But under the new Bill, that facility would no more be available. Each year taxes will be payable according to the profits made in that year alone.

Mr. Masani said there is no justification for this measure at all. I beg to differ from him. As he knows, there are the revenue needs for defence, development and also rehabilitation which is a new need; these needs have by no means disappeared or even reduced.

**Shri M. R. Masani:** Question I have explained how no additional taxation is necessary this year because of the inordinate expenditure of an unproductive kind.

**Shri Morarka:** The three major needs I have mentioned are there. They are not reduced; they are likely to increase in the near future. To that extent, there is full justification for this measure. After all, from which sector can these revenue needs be met? Our economy is mostly controlled by the corporate sector. Unless you increase the tax on the corporate sector, you are not likely to augment your revenues substantially. So, there is no escape, whether the Finance Minister likes it or not, from levying this tax for sometime to come.

Mr. Masani gave the averages which are worked by the Reserve Bank. They can be misleading sometimes. They are all right for judging the general economic conditions in the country. But when you consider particular tax proposals, the average can be misleading. The total average profits of the corporate sector may be 7 per cent. That 7 per cent may apply to 30,000 companies and it may apply to a paid-up capital of Rs. 1300 crores. But there are certain companies which may be making a profit of 100 per cent and other companies may be making 5 per cent profit. Then there are still other companies which might be making a loss. So, the averages are very misleading. Let me give an example. Under the surtax scheme, as compared to the super-profits tax, one company alone—I would not like to mention the name, though it has been published—is going to get benefit to the tune more of than Rs. 1 crore. That is a big company. So, can it be said that this Bill is not helping anybody or that this is going to tax the people to such an extent that even the 6 or 7 per cent which companies are making is

going to be wiped away? No, Sir. There are about 26,000 companies big and small. Some companies are making very huge profits and some small profits. This measure would be applicable only to those companies which are making big profits. So, there is rationale, there is justification in this taxation.

I want to have one or two clarifications from the Minister regarding the latest amendments which he has moved just now. He says that only those loans would be included in the capital base which are repayable during the period of not less than 7 years. From 10 years, he has reduced it to 7 years, which is more reasonable. Suppose there is a loan given and the first instalment of repayment starts after two years, the second instalment after three years and so on. The moment the first instalment becomes payable, would the loan be considered repayable or would it be considered repayable only when the last instalment is paid? This clarification is very essential because from the language of the amendment he has moved, this particular point is not clear.

The other thing is, this qualification of 7 years or 10 years was applicable only to the loans taken from the banks. Under the new amendment which he has moved, this would apply to the loans taken from the IFC and ICICI and other institutions also. The difficulty is that these loans are given only for creating capital assets for new industries. Sometimes loans are not given for 7 years, but for 5 years only. Therefore, I feel that the loans given by IFC and ICICI which are definitely for the purpose of creating assets and are given to new companies for development purposes must necessarily form part of the capital base.

With these two suggestions, I support the Bill.

**Shri M. R. Masani:** Will you kindly indicate when the Minister will be called to reply, Sir?

**Mr. Speaker:** It is difficult to anticipate it in the present circumstances.

**Shri M. R. Masani:** It will be today. I suppose.

**Mr. Sepaker:** Yes.

**Shri Himatsingka (Godda):** Sir, the provisions of the Surtax Bill as explained just now, are certainly better than the provisions in the Super-profits Tax Act. But some new elements have been introduced in this which keep away a large number of companies which would otherwise have benefited. Under the Super-profits Tax Act, the chargeable profits were calculated more or less on the same basis, except that the capital base has been slightly widened, but the interest payable on the loans is deducted. Therefore, there is no large benefit in the widening of the capital base. But at the same time, under the Super-profits Tax Act, there was the standard deduction of an amount equal to 6 per cent of the capital of the company as computed under the provisions of the second schedule or an amount of Rs. 50,000 that used to be included over and above the provision of 10 per cent of the profits. Taking both of them together, it was certainly much more than what is proposed to be allowed as 10 per cent of the capital base. Therefore, though the capital base has been widened, the chargeable profits have become a little more than what they were under the Super profits Tax Act.

As just now explained, in the Bill as introduced, under clause (v) of the second schedule, moneys borrowed from the IFC and other credit corporations were taken into account as capital base, whether they were for the purpose of creating capital asset or not and whether or not they were borrowed and repayable in less than 7 years or less than 10 years. There was no limitation as regards the period of repayment in regard to most of the loans from these corporations, except when money was agreed to be borrowed from any bank, when the question of 10 years was applicable. Similarly, moneys borrowed from any

[Shri Himatsingka]

person in a country outside India—in that case only the creation of any capital asset was required; not in the case of other loans. Therefore, there might be a lot of difficulty when this provision is going to be applied and the benefit that is intended to be given by the hon. Finance Minister may not be available to many companies when it is strictly interpreted.

The amendment that has been proposed, to my mind, makes the position still worse. Under the proviso to the first amendment, moneys borrowed have to be taken into account only when such moneys are borrowed for the creation of a capital asset in India and the agreement under which such moneys are borrowed provides for the repayment thereof during a period of not less than seven years. As has been indicated by Mr. Morarka, almost all the loans that are taken from these financial corporations begin to be repaid either in the second year or in the third year in any event. Whether those loans can be said to be under an agreement where the repayment thereof is during a period of not less than seven years in the point.

13 hrs.

I think, Sir, in the interpretation of this Act there will be a lot of difficulty. Not only there will be a lot of difficulty, but I think all these loans which begin to be repaid in less than seven years will all be excluded and, therefore, the benefit that is intended to be given will not be available to the companies unless that position is made clear. I, therefore, hope that position will be taken due consideration of.

There is one more point. In the Super Profits Tax Act there was a provision . . .

श्री यशपाल सिंह (कराना) : अध्यक्ष महोदय हमारे वित्त मंत्री जी का इतना समय लग रहा है और बहुत महत्वपूर्ण सजेक्ट हम डील कर रहे हैं लेकिन फिर भी हाउस नहीं है ।

Mr. Speaker: The hon. Member may resume his seat. The bell is being rung—there is quorum, now. Then hon. Member may proceed.

Shri Himatsingka: I was saying that in the Super Profits Tax Act there is a provision—Section 5—which provided that where there is a deficiency in relation to any assessment year the assessee shall be entitled to relief in accordance with the provisions therein mentioned. That provided that if in one year a company made a huge profit and it became liable, if in the subsequent year it had not the chargeable profits and there was deficiency that deficiency was allowed to be carried forward, to be taken advantage of in the next year to be set off against that amount of the profits; that is to say, the deficiency was taken into account, the profit was reduced to that extent and the balance only was chargeable. That benefit is not being given. I feel that this should be allowed even this year because the Surtax Bill is merely, in a way, replacing the old Act by certain changes. Therefore, this salutary provision should be made there and that advantage should be available.

With these suggestions, Sir, I support the Bill.

Shri Alvares (Panjim): Sir, while presenting his economic survey for last year, at the very outset, the Minister for Finance had stated that there is a great need to mobilise all savings and to step up the collections for this purpose. He said it in the context of the continued Chinese aggression and in order to fulfil our economic needs in the country. I think it was in that context that the Super Profits Tax was initiated and it paid good results. Sometime later

the Minister himself characterised the economy as buoyant, and the super profits tax lent support to this assessment because in the first year the income from the super profits tax was Rs. 20 crores and in this financial year it was expected to be Rs. 25 crores. I am sure, if the collections are made as seriously as he has promised the House, it will be more than Rs. 25 crores in this current financial year.

I do not understand why, when the super profits tax is obviously justified looking to the state of economy, looking to the fact that there are super profits made by the corporate sector, it should be substituted by the Companies (profits) surtax Bill. As Shri Morarka has said, it is obviously a relaxation when compared to the Super Profits Tax Bill. While there is a slight intensification in regard to the chargeable profits, the Minister himself has admitted that in respect of statutory deductions and the computation of capital costs he has conceded a great amount of liberalisation so that the corporate sector is able to find some relief by the introduction of this Bill.

Now, the point is this. In Part (2) of his speech in introducing the budget, the justification for the substitution of the Super Profits Tax Act has been made out, that it had some adverse effect in certain sectors of the economy. Today, when speaking this morning, he talked of two other reasons. One is the need to mobilise savings and the other need is to create a climate for investment. Savings, Sir, there were. The super profits tax yielded Government Rs. 20 crores last year and the expectation is that it will yield Rs. 25 crores in the current financial year. These are by the savings in the hands of the Government. What is proposed Companies (Profits) Surtax Bill is to reduce the quantum of this Rs. 25 crores available directly and exclusively to Government for investment, and to pass on a part of this amount into the hands of the corporate sec-

tor—that is, in the hands of the private sector—for the purpose of investment as they like.

The important point for consideration is this. If the economic survey had made out this important fact that there is a need for Government to mobilise all resources for meeting the aggression by the Chinese and to build the economic base in this country and the super profits tax was introduced within this context, I cannot understand how it is logical that the super profits tax is substituted by a more liberal provision in the companies (Profits) Surtax Bill?

Therefore, we must now ask this question of the Government, what does the Government propose to do and why has it done this. There is one, naturally, the main point for consideration and that is this, that the Government by an act of deliberate policy is making life more pleasant for the corporate and the private sector. Therefore, Sir, to that extent the Government is depriving itself of assured and guaranteed revenues to the extent of Rs. 25 crores which it would have had for itself.

13.08 hrs. ..

[SHRI SURENDRANATH DWIVEDI in the Chair]

There are one or two questions which I would like to ask of the hon. Finance Minister before I can agree to give support to this Bill. The first is, while the Government divests itself of this assured income from super profits tax and passes on a large amount of relief to the private sector in the shape of corporate dividends, will the hon. Minister assure this House that he will adopt countervailing measures by which that investment which the Government would have made through the investment of these Rs. 25 crores available from the super profits tax, he will make through compulsory investment by the private sector? In other words, if the Government had a programme of investing these Rs. 25 crores from the super profits tax on certain projects, on certain develop-

[Shri Alvares]

mental works, will he agree that he will also make it compulsory that whatever money the private sector makes as a result of the relaxation through the Companies (Profits) Surtax Bill is invested in those projects that the Government had in view? Otherwise, the result will be that the Government will find itself short of revenues and the private sector will have a large amount of money by which it can invest at its own sweet will without relation to the priority economic development.

The second assurance that I would like to ask is this. While speaking on the Finance Bill, I had suggested that the Minister is preparing a climate for the invitation of foreign capital into this country. I see in the Companies Profits Surtax Bill such a provision actually made whereby a climate has been created, a climate has been assured that a large amount of profits which hitherto went to the government through the levy of super-profits tax are now available for retention by the private sector, and in the circumstances in which this is made I have no doubt that it is an invitation to foreign capital by creating a suitable climate. The recent method by which the Finance Minister has made this thing all the more inviting is by including a number of industries that are listed in rule 8 of the Industries (Development and Regulation) Act in the Second Schedule. Therefore, by these two methods, by the relaxation and by extending the Companies Profits Surtax Bill to a larger number of basic industries which are hitherto exempt to pay super profits tax, the government has made an overture to the private sector to come forward. Now, I have no objection to this provided the government will insist that whatever investment it would have made in specific industries will be carried forward by the private sector in those very industries; otherwise, it would mean that government is divesting itself of necessary revenues and then

seeking foreign aid at very unfavourable terms, at the same time, allowing the private sector to expand at its sweet will.

I hope the government will be able to give these clarifications and we can then decide our attitude in the second reading of the Bill.

**Shri K. C. Sharma:** Mr. Chairman, I am rather surprised and pained at the performance of my esteemed friend, Shri Masani. As a lawyer I have experience enough to categorically state that abuses never make any arguments. They are hardly convincing. No lawyer who took to hot words or abuses—perhaps, abuses are not permissible in a court of law as they are here—has ever raised himself to the reputation of an eminent lawyer in that learned profession. What is true about a court of law and a lawyer should apply equally, perhaps with much more force, in the case of Parliament and politicians.

The position is that we have to face three difficult situations. One is war. With regard to war three important factors are to be taken into consideration. One is soldier—a large number of soldiers. We know that the Chinese had the largest number of soldiery in the world. From the early 18th century Napoleonic war to the 1951 limited Korean war, it has been proved that a country with a well-equipped army of trained soldiers is not able to inflict the heavy blows on twice the number of invading armies. Taking this fact into consideration, it is necessary, rather it is imperative that a large number of soldiers must be recruited. A large number alone counts quite a lot. From 321 BC of Alexander's time to the Hitler's time of the present day it has been proved that men in relation to weapons and equipments count in the proportion of 3: 1 if their morale is high. Therefore, we cannot ignore the importance of the number of soldiers, and increase of soldiery means money.

The second question is equipment, third technology and fourth war industries. How were the countries fighting during the first and second world war? The two great countries, England and France fought their wars mostly on gold and foreign securities. Foreign securities and gold are two sources for industrialised countries or developing countries to make enough investment for war preparations. But India, unfortunately placed as it is, has hardly any foreign security and though gold is hoarded in large quantities, the primitive sentiment for gold as we have, we are not going to part with it. So, taxation is the only alternative left to government I do not want to dilate on war industries because it is a proposition which has been discussed so often in this House.

13.16 hrs.

[Mr. DEPUTY-SPEAKER in the Chair]

The second problem facing the government is the rehabilitation of refugees. When Germany was confronted with this problem, a capital levy to the extent of 50 per cent was imposed on special properties. The result was that the German refugees that came from Poland were as good citizens in no time as any German in his native land. Here, on the other hand, people come and they are thrown on the land. Some die; some take to ordinary occupations and the most unfortunate of them take to what is called subsistence agriculture. This subsistence agriculture is practically dying a long time; the man goes on starving till disease brings death nearer and he passes away. That is no solace to anybody who walks hundreds of miles under most miserable conditions. In order to avoid the instantaneous death, they take to slow poisoning death.

If those refugees are to be rehabilitated, some new industries have to be started. So, my respectful submission is, as I told elsewhere, if

we mean business, we have to take advantage of the best technological and organisational expertise and make large investments in industries to rehabilitate the refugees and help the economy of the country and thereby help the unfortunate victims of the inhuman violence by the human beast.

The third situation which we have to face is in regard to our economic development. India stands at a place in the economic development. development which needs what is called big push investment. Now is the time when we invest large sums of money for the industrial progress. Otherwise, with a growing population India is doomed to failure. With a large population of 450 million people, with large areas of land, with a great history behind it and great leadership leading the country, this failure would be inexcusable in history. So, my respectful submission is, whatever the fault here and there might be, the will is there and money is required to meet the difficult situation that the country faces today.

With these words, I support the Bill.

श्री बड़े (झारगोन) : माननीय उपाध्यक्ष महोदय, इस कम्पनीज सर टेक्स बिल का जब मैंने अध्ययन किया तो मेरे को ऐसा प्रतीत हुआ कि सुपर प्राफिट्स टैक्स का ही दूसरा नाम कम्पनीज सरटेक्स दिया हुआ है। केवल स्लैब बदला है। जो पचास परसेंट या ६० परसेंट प्राफिट टैक्स था वह सरटेक्स ४० परसेंट कर दिया है। केवल दस प्रतिशत कम कर दिया है। कोई खास फर्क इस से पड़ा नहीं है। जैसा का तैसा ही खाली नाम बदल दिया है। बाकी प्राविजंस वैसे ही हैं केवल शब्दों का उलटफेर कर दिया है।

जब हमारे वित्त मंत्री जी अपनी बजट स्पीच दे रहे थे तो उस में उन्होंने यह कहा था कि सुपर प्राफिट्स इंडस्ट्रीज के लिये काफी घातक है। उन्होंने कहा था :—

[श्री बड़े]

"Speaking on Super Profits Tax in para 51 of the budget he has stated as under:—

"There has been considerable criticism in respect of the Super Profits Tax and the uneven nature of its effect on industry as a whole. I understand that some of the corporate units with a large capital base have not been unduly affected by the Super Profits Tax as it is at present framed while some have to bear a much larger share of the burden. The nett result has been that it has produced a psychological resistance and has to some extent affected industrial growth.' "

सुपर प्राफिट्स टैक्स से भारत में इंडस्ट्रियल होथ एफैक्टर्ड हुई है, रिटार्ड हुई है और कम हो गयी है। यह तो आप मानते हैं कि सुपर प्राफिट्स टैक्स को स्मूथ करने के लिये आप ने सुपर टैक्स कुछ कम कर के सरटैक्स लगा दिया है। लेकिन मेरा विचार है कि सरटैक्स लगाने से इंडस्ट्रीज को पूंजी नहीं मिलेगी और परिणामस्वरूप इंडस्ट्रीज की प्रोथ नहीं होगी। मैं वित्त मंत्री जी से पूछना चाहता हूँ कि आखिर वे प्राइवेट सैक्टर की इंडस्ट्रीज को जिंदा रखना चाहते हैं या नहीं। अगर वे चाहते हैं कि प्राइवेट सैक्टर में भी इंडस्ट्रीज पनपें तो इसके लिये काफी उनको पूंजी मिलनी चाहिये नहीं तो साफ साफ कह देना चाहिये कि हम उनको पनपते देखना नहीं चाहते हैं। यह इस तरह से धीरे धीरे ब्लड इस्कुईज करने से क्या फायदा है? उनसे ज्यादा की पूंजी टैक्स के रूप में लेने में उनका परसी-क्यूशन होता है।

विवियन बोस कमिशन ने अपनी रिपोर्ट में कहा है कि कुछ कम्पनियों में मिसमैनेजमेंट है, करप्शन है लेकिन उसका यह मतलब तो नहीं हो जाता है कि सभी कम्पनियों में ऐसी गड़बड़ है और इस तरह से सूखी लकड़ी के साथ गीली लकड़ी को भी शासन

द्वारा जलाना ठीक और उचित बात नहीं है। यह सही हो सकता है कि जैसा कि बोस कमिशन ने कहा है बहुत सी कम्पनियों ने मिसमैनेजमेंट करके प्राफिट्स अपने हिस्से में डाल लिये हों लेकिन सब को एक दम से कंडैम कर देना तो ठीक नहीं होगा। विवियन बोस कमिशन की क्रिटिसिज्म से यह तो नतीजा नहीं निकाल लेना चाहिये कि तमाम की तमाम कम्पनियां खराब हैं। मैं इस बात से इंकार नहीं करता कि शासन को उन पर नज़र रखनी चाहिये। मैंने इंदौर में देखा है कि जो मिलमालिक हैं, मैनेजिंग हाउसेज हैं वह कितना प्राफिट अपने निजी हिस्से में रखते हैं। मुझे यह भी मालूम है कि कम्पनी के खर्च में उनके आने जाने का खर्चा वगैरह, मोटर का खर्चा आदि सब खर्च शामिल होते हैं, इस तरह की जो गड़बड़ या अनियमिततायें होती हैं उन के लिये शासन को कम्पनियों पर अवश्य नज़र रखनी चाहिये। शासन को इसके लिये सतर्क रहना चाहिये कि कम्पनियों की पूंजी बढ़ती ही रहे। जिस तरह शरीर में नसों द्वारा रक्त का संचार होता रहना जरूरी है उसी तरह से कम्पनियों की वैंस आफ वैल्य में पूंजी का सरकुलेशन होते रहना जरूरी है। अगर शरीर के अन्दर खून का संचार होना बंद हो जाय तो शरीर मृत हो जायगा, देह निर्जीव पड़ जायेगी उसी तरह से अगर कम्पनियों में पूंजी का सरकुलेशन न हो, पूंजी बढ़ती न रहे तो कम्पनियां भी उसी प्रकार से मृत हो जायेंगी।

कम्पनीज की एक रिपोर्ट आई है। उसमें लिखा है कि ७३.०२ परसेंट कम्पनियां पिछले पांच साल में लिक्विडेशन में आ गयी हैं। इससे प्रतीत होता है कि कम्पनियां कितनी कठिनाई में हैं? दरअसल बात यह है कि जो इनकमटैक्स आफिसर्स होते हैं वे कम्पनियों के मैनेजमेंट को हमेशा जीडिस की आई से देखते हैं। वे हमेशा इसके लिये चिंतित रहते हैं कि उनका हिस्सा किस तरह

से बरकरार रहे और संभव हो तो वह और भी बढ़ सके। इम वास्ते मैं कहता हूँ कि हमें मनीलैंडिंग में जितना फ़ायदा होता है, दूसरे बिजनेस में जितना फ़ायदा होता है उतना फ़ायदा कम्पनियों के कारोबार में होना चाहिये वरना कम्पनीज में वे पैसा इन-वेस्ट नहीं करेंगे। अगर इसमें फ़ायदा न हुआ तो पूंजीपति कम्पनियों के कारोबार में पैसा इनवेस्ट नहीं करेंगे। शासन को इस और गम्भीरतापूर्वक ध्यान देना चाहिये।

हमारे माननीय वित्त मंत्री इस मामले में ऐक्सपर्ट हैं और उनके दूसरे सेक्रेटेरियट के सेक्रेटरीज वगैरह भी इस सम्बन्ध में ऐक्सपर्ट होंगे। मैं उतना ऐक्सपर्ट तो नहीं हूँ ताहम मेरा जो भी अनुभव है उस के आधार पर मैं यह कह सकता हूँ कि इनकमटैक्स आफिसर्स का उन के लिये जो टैक्स का ऐसैसमेंट होता है वह बहुत कड़ा होता है और वह ए-सेसिंग आफिसर्स उन को जौडिस आई से देखते हैं। उसके लिये इस कम्पनीज (प्राफिट्स) सरटैक्स बिल में जो प्राविजंस रखे हैं वह इस तरह के हैं कि इनकमटैक्स आफिसर्स जो भी चाहे कर सकते हैं और लैवी कर सकते हैं। पेज १५ पर ऐसा लिखा हुआ है :—

“any expenditure incurred on account of commission, entertainment and advertisement, to the extent such expenditure, in the opinion of the Income-tax Officer, is excessive having regard to the circumstances of the case:”

इसमें एसेसिंग आफिसर के लिये कहा गया है कि वह सरकमस्टांसिज और परिस्थितियाँ देख कर कमिशन, इनटरटेनमेंट और ऐड-वर्टिजमेंट्स के लिये खर्चा कम या ज्यादा करेंगे। उनको उस सम्बन्ध में कुछ भी अनु-

भव नहीं है और मेरी समझ में इस प्रकार का उनको एक डिस्क्रिशन देना यह करप्शन और भ्रष्टाचार को इंसेंटिव देना होगा। उस इनकमटैक्स आफिसर को आखिर कोई प्रैक्टिकल नौलिज तो होती नहीं है और इस लिए वह सही तौर पर कैसे अंदाजा लगा सकता है कि कमिशन, इंटरटेनमेंट या ऐडवर्टिजमेंट पर कितना खर्चा उचित है और जो दिया गया है वह कम होना चाहिये या कि ज्यादा होना चाहिये। उनको क्या पता हो सकता है कि धंधा किस प्रकार से चलता है। वह तो एक अंदाजे से लगा देंगे कि इतना खर्च होना चाहिये और इतना खर्च नहीं होना चाहिये था। आज कौन नहीं जानता कि यह ऐडवर्टिजमेंट का युग है ? जब तक आप ऐडवर्टाइजमेंट नहीं करेंगे तब तक उद्योग धंधे नहीं चलेंगे।

जैसा कि मैंने अभी कहा इसमें यह लिखा हुआ है :—

“any expenditure incurred on account of commission, entertainment and advertisement,”

अब जो इनटरटेनमेंट पर ऐक्सपेंडीचर इनकर करने के बारे में लिखा हुआ है तो यह तो ठीक है कि इनटरटेनमेंट के ऐक्सपेंडीचर पर शासन नजर रखे। लेकिन मैं आपको बतलाऊँ कि कम्पनियों के गवर्नमेंट आफिसरों को इनटरटेन करना पड़ता है। अगर वे गवर्नमेंट आफिसरान को इंटरटेन न करें तो वे उन आफिसरान का कोप भाजन बनती हैं और परेशानी में पड़ जाती हैं। इसी तरह ऐडवर्टिजमेंट पर खर्च होने की बात है। उसके लिये इसमें कहा गया है वह देखेगा कि ऐडवर्टिजमेंट पर और कमिशन पर खर्चा उचित है या अनुचित है और वह अपनी समझ के अनुसार उसको कम या ज्यादा करेगा। मेरी समझ में इस तरह से इनकमटैक्स आफिसर के हाथों में ज़रूरत से ज्यादा पावर्स शासन देने जा रहा है। एसेसिंग आफिसर

[श्री बड़े]

का आपने फाइनंस बिल में भी इस प्रकार का प्राविजन रक्खा है। कम्पनीज (प्राफिट्स) सर्टेक्स बिल में भी उसी प्रकार का प्राविजन रक्खा है। जिस तरह का उसमें लूज प्राविजन है वही लूज प्राविजन इसमें भी मौजूद है। अब जहाँ तक ऐंडवरेटिजमेंट पर होने वाले ऐक्सपेंडिचर का सवाल है तो मैं कहना चाहता हूँ कि कांग्रेस का अस्तित्व ही ऐंडवरेटिजमेंट पर है। ऐंडवरेटिजमेंट करके ही वह बोट कमाती है। इस लिये मैं समझता हूँ कि इसमें जो यह प्राविजन रक्खा है :—

"to the extent such expenditure, in the opinion of the Income-tax Officer, is excessive having regard to the circumstances of the case:"

What is the criteria for forming the opinion?

तो हो सकता है कि इनकमटैक्स आफिसर सरकारमस्टान्सज आफ दो केस को अपने ढंग पर समझ कर यह समझे कि वह खर्चा ज्यादा हुआ है जब कि वास्तविकता यह न हो। मेरी समझ में इस तरह की डिस्क्रिशनरी पावर देना ठीक नहीं है। एक अपने तौर पर यह कहे कि वह ज्यादा हुआ है और दूसरा कह सकता है कि

the circumstances are different. There is no criterion for "having regard to the circumstances of the case".

इस तरह की लूज वरडिग होने से करप्शन बढ़ता है। इस तरह की शब्दावली रखने से और इस तरह की डिस्क्रिशनरी पावर देने से जो कम्पनियों के मालिक हैं, जो उनको चलाने वाले हैं वह हमेशा उन आई० टी० ग्राज० की मर्जी पर रहते हैं, हमेशा इनकमटैक्स आफिसर्स की मर्जी पर रहते हैं और जैसे भी हो गलत सही उनको उन्हें खुश रखना पड़ता है। यदि आप देश में मिक्सैड एकोनामी चलाना चाहते हैं, देश में पब्लिक सैक्टर के साथ प्राइवेट सैक्टर को भी यदि आप जिन्दा रखना चाहते हैं तो they should not be at the mercy of Government Servants.

तोसरे शेंडयल का मैंने अर्थयन किया है। उस में यह शब्द रक्खे गए हैं :—

"On the amount by which the chargeable profits exceed the amount of the statutory deduction— 40 per cent."

Provided further that if the Central Government, having regard to the stage of development of any industry and other relevant factors, considers it necessary or expedient so to do, it may, at any time by general or special order withdraw the benefit conferred by the preceding proviso in respect of the business of generation and distribution" etc.

कम्पनीज को ४० परसेंट का डिडक्शन दिया है। लेकिन उसके संग पेज १८ पर कम्पनीज को जो छूट दी है वह सब पब्लिक सैक्टर की कम्पनीज को ही दी गई है। उस छूट में प्राइवेट सैक्टर को कुछ कम्पनियां आ सकती हैं।

इसके अलावा उस सैड लिस्ट में कुछ आर्टिकल्स दिये गये हैं और यह कहा गया है कि अगर सेंट्रल गवर्नमेंट ऐसा जरूरी समझती है तो वह किसी स्टेज पर भी स्पेशल बनीफिट विज्ञा कर सकता है क्योंकि गवर्नमेंट की ओपेनिशन में उनको यह बनीफिट दिया जाना जरूरी न समझा जाय।

"The list of articles referred to in paragraph 1 shall be as follows:—  
Iron and steel. . . . .  
Aluminium . . . . .  
Coal . . . . .  
Industrial machinery . . . . .  
Boilers . . . . .  
Equipment for the generation . . . . .  
Machine tools. . . ." etc.

इसके अन्दर प्राइवेट सैक्टर को कई कम्पनीज आ सकती हैं लेकिन हमारे वित्त मंत्री महोदय का ध्यान तो कुछ विशिष्ट कम्पनियों जैसे मोफत लाल, बाटा, और बिड़ला की ओर ही रहता है। इन दो तीन इंडस्ट्रीज को वह समझते हैं कि एनक्लूड होनी चाहिए बाकी एन-

सकूटे रहनी चाहिए। जैसा कि आप की स्पीच में इस बारे में ठीक ही लिखा है :—

“The net result has been that it has produced a psychophysical resistance and has to some extent affected industrial growth.”

जाहिर है कि अगर इसमें इंडस्ट्रियल ग्रोथ एफ़ेक्टेड होती है तो उसे वापिस लेना चाहिये इन्हीं शब्दों के साथ मैं पुनः कहना चाहता हूँ कि इसमें जो लूज वर्डिंग्स इस्तेमाल हुई हैं वह नहीं होनी चाहिये। वित्त मंत्री महोदय को इसका निश्चय कर लेना चाहिये कि आखिर उनको कम्पनियों को देश में जिन्दा रखना है या नहीं और अगर उन्हें उनको जिन्दा रखना है तो क्या पालिसी गवर्नमेंट को उस सम्बन्ध में होनी चाहिये। मुझे आशा है कि वित्त मंत्री जो इन बातों को और ध्यान देंगे और इस तरह के लूज वर्डिंग को हटा देंगे। जो भी हम रूल्स बनायें वह अच्छे और साफ हों, वेगनैस उनमें न हो।

**Shri Heda** (Nizamabad): Mr. Deputy-Speaker, Sir, even Mr. Masani had to admit that the present Bill is an improvement on the previous Act, that is, the Super Profits Tax Act. In fact, it is not only a little improvement but it goes a long way and, therefore, one has to take cognizance of it. Whenever you think of these taxation measures, generally two factors come up for consideration. One of the factors was already referred to by the very first speaker, Shrimati Renu Chakravartty, that is, the effect of the taxation proposals on the inflow of the foreign capital. Of course, for different reasons or for obvious reasons, she was not of opinion that any foreign capital should come to India. She said that whatever has come is enough. But the country, as a whole, differs from her view and we very much welcome the inflow of the foreign capital. Now the question is: What would be the effect of the foreign capital inflow by this or other similar measures. The super profits tax was a great blow but even then the foreign investors had appreciation

of it because of emergency: We were attacked by China and that emergency still continues. In spite of the super profits tax, the foreign capital inflow continued and I am quite certain that the climate is still good and the climate will continue to be good. But the point is that the complex system of the taxation measures, rather than the quantum of the taxation measures, is a factor that is considered by the foreign collaborators and from that angle we should give consideration to this factor.

Another factor mentioned during the debate was about the terms of the foreign collaboration. There is already a provision that whenever there is a foreign collaboration, the agreement is routed through the Ministry and unless they okay it, no Indian collaborator can have any agreement that he likes with the foreign collaborators. This is a very big development and a great improvement. But even then it is not enough. I think there is still some room for it. Before this factor was there, the collaborations were very much adverse to our national interests. But today it is not so. I think still there is room for improvement. We have got very high officials dealing with the commercial and economic aspects in Europe, in America and in U.K. and one of the jobs that should be entrusted to these high officials—they are called Secretary-Generals or Ambassadors or what not under different names—should be to help the Indian collaborator in getting best terms, in giving the latest information and they should maintain their own relations with the big industrialists in the foreign countries and try to find out their mind and thereby, in a way, be a friend, guide and philosopher to an Indian entrepreneur.

The other factor that can be considered—it was not referred by the previous speakers—is about the money market. The position of the money market today is very tight. In fact, we cannot get any loan on even 12 per cent. There are persons who are

[Shri Heda]

even prepared to get the loan at the rate of 18 per cent. So the position of the money market is becoming more and more tight. The various financial corporations and funds are minting money and the hire-purchase system also is minting money. So, the question is, when there is such a tight position in the money market, how can you expect that the corporate sector would be able to attract the money, the investment, from the general public? It is very difficult to say that. That is one other aspect. When you think of these types of measures, you have to consider that aspect also. I think that aspect has not been considered properly. So far as the present Bill is concerned and its provisions are concerned, I have not much to say except that I would like to elaborate the point made by my hon. friend Mr. Himatsingka. He said that while the capital base has been broadened—and that is a good thing—at the same time the losses of the last year are not allowed to be adjusted with the profits of the present year. Every year is taken separately and every year is taxed accordingly. This goes against an encouragement to the small companies. It goes in favour of individual enterprise. Suppose I for one would like to work in two or three companies. What would be the result? Suppose in one company I lose the money and in another two companies I make the money. In the companies where I make money, it will be taxed according to the profits and in the company where I lose there will be consideration. Instead of that, if I run all these three companies as my private or individual business, the loss of one business would be off-set by the profits in other businesses and, therefore, this provision goes contrary to giving encouragement to the corporate sector over the individual enterprise. From that angle, I think, there is room for consideration and what the former provisions were there should be there.

One more word, though it is not very relevant to this, about the dividend tax. To tax every dividend, even 1 per cent or 2 per cent or 3 per cent is not a proper thing. I think, the hon. Minister, when the proper time comes, will give consideration to it. I express it here only because one is not certain whether one gets an opportunity every time or not. Only the dividend which is higher than a particular level may be taxed. With these words, I support the Bill.

**Shri Joachim Alva:** Mr. Deputy-Speaker, Sir, technically I support this measure of a special tax on the profits of some companies. But I would like to know from the hon. Finance Minister whether he has availed of all the available measures which are at his command. The Finance Minister is a powerful individual by himself and also in the Ministry and the Ministry is the king-pin of all the Ministries. I want to know whether he has looked into every Ministry and plugged the loopholes so that our finances may not be wasted, finances may not be exploited and our money may not run down the drain and thereby there would have been no need even to bring forth this measure. Secondly, I also want to know in what way the foreign climate is going to be more and more favourable for companies to come into India. We welcome companies coming to India where foreign collaboration is very, very essential,—whether it be of the Americans or the Russians or the Germans or French or the Japanese or the Rumanians or the Polish—they all helped us—and we are grateful to them all. But if we open this door of collaboration even for hotels, then I would declare that we must bang it. We welcome this tax if it means that we are going to get in additional money after plugging all the loopholes. I am recalling an instance of the great fight that Lord Curzon and Sir Wintson Churchill had in an earlier British Cabinet. Lord Curzon was looking after the

Foreign Office and Churchill was running the so-called dominions or the colonies. One looked into each other's territory and the other resented it and very serious correspondence passed between the two Ministers which the then Prime Minister, Lloyd George had to settle. I have not got the book here—I forgot to bring it today—in which there are very serious allegations made by one against the other. Each one said, "I do not come into your territory unless it crosses my border and you do not come into my territory unless it violates my border." So, it went on like that! The purpose of this is that the Finance Minister has the right, if it is a tolerated British Cabinet practice that one Minister looks into the other's territory, and I would like him to look into the Agriculture Ministry, stop the imports and keep the money going into our treasury. I want to ask him whether he has used this weapon to see that he shall not honour the over-drafts of the States and that the money shall not be thrown out of the treasury on the States Ministers coming from one part of the country into another State needlessly and into the capital and even some of them going to Congress sessions at State expense and all that—I say that with all the respect to Congress members. When he has plugged all the loopholes, not lakhs but a few crores of rupees can be saved for the treasury. The Finance Minister can exercise the authority of looking into his next door territory, the Agriculture Ministry, to see whether we can stop imports and save crores of rupees which are going for transport charges of foreign tankers and foreign supplies. Even after 15 years of effort, we have not put the agricultural production on the proper front.

Here is the story about Burma. If they can produce a second crop every year, Burma will be overflowed with money in the sense that they will be able to supply rice almost to the entire world. They say "we have one crop already and we are satisfied with that and we do not have to work

for more." Here in India we are not doing the first crop properly. You know the situation in regard to sugar. Ordinary people cannot get sugar easily in Delhi right now!

The Finance Minister and his Ministry must look to the work of the Agriculture Ministry and impress upon them that they should do their part of work so well so that we have enough of money at our disposal instead of borrowing all the time.

Coming to the point of foreign investment—foreign collaboration—as I said, even in regard to hotels, there is already a first class hotel run by the State in India. A senior Secretary of Finance Ministry presiding over the Ad Hoc Tourism committee said that Hilton Group and other groups of foreign hotels should run and manage new hotels in India. Long long ago, the late Jamshedji Tata who was turned out from a hotel in Bombay on grounds of colour, soon after started running the Taj Mahal Hotel. There are a few hotels like this in India. We can take up young men and women and train them up by sending them abroad. Ashoka Hotel is one of the best hotels in the world. For Rs. 55/-, you can have four big meals and all the amenities in the world. I have lived in London in Grosvenor House, where I could not get tea after five whereas here in Ashoka Hotel for Rs. 55/-, you can have four solid good meals. Waldorf Astoria, New York's best hotel is a dark dingy spot. We should not permit anyone to carry away lakhs and lakhs of rupees from here. Apart from this, we cannot allow foreigners to run hotels owned by our Government. We cannot allow the case of Walcott's escape to be repeated at our airports. We want more rooms and more hotels. Government can start giving development loans by which the money could be utilised to build new hotels and thus keep the money for us. You know in Russia, they had the largest number of American tourists in 1958 as their foreign tourists,—nearly forty thousand American tourists cannot demand in the Soviet Union that they

[Shri Joachim Alva]

must have American hotels to live in. Why should we pamper foreigners in our country when others are not pampering them? We want Americans to come here; we will be happy. Give them all facilities, but we need not get Americans to run new Government hotels and transfer the profits.

I hope the Monopoly Commission will do something right and plug all loopholes and shall not be like the Press Commission whose main recommendations are still not carried out. Mr. Justice Rajadhyaksha was the Chairman and my friend, Mr. Chawla, was the Secretary of this Commission. After submission of the report, I met Mr. Justice Rajadhyaksha and told him that he was looking fine. But, within fifteen days thereafter, he died of heart failure. He did very hard work. The Commission did a grand job but their main recommendations have been put in the pigeon-hole for so many years. I hope the fait of the Monopoly Commission will not be like that though more important recommendations will come out of their labours.

**Mr. Deputy-Speaker:** The hon. Member's time is up.

**Shri Joachim Alva:** I shall take five more minutes.

**Mr. Deputy-Speaker:** You should speak about the Bill.

**Shri Joachim Alva:** I am speaking about the investment climate. I hope the Finance Ministry will plug all the loopholes to see that money is not taken outside India. Coming to the companies, we need not at all impose special tax if all these things I have narrated are fulfilled. People have been fooled about having a people's car. The Parliament has been kept in darkness about this. When the Deputy General Manager of the Hindustan Aircraft says that they could produce a car worth Rs. 5000/- with 20 per cent imported components only, we go on paying Rs. 15,000/- for a car. I want the Americans to come here and

I have great respects for them. We have done something in regard to banking which will not be right. We have already the National City Bank of New York in several places in India. The Bank of America will or has already come with short term loans in India. I have no allegations to make against anybody. I only want that the money should not go out of India. We have young and capable men who can run banks in New York, Tokyo, London and in other places. We can learn a lot from Americans. I do not want the climatic conditions to allow the foreigners to come to our country when we have capable and devoted and patriotic young men here who can run the banks efficiently and as well as anyone else.

Now I come to the Reserve Bank of India. Mr. Tandon, Chairman of the Hindustan Levers is a very capable man who has been appointed as a Director of the Reserve Bank. I have no objection if Mr. Tandon, an Indian, is appointed as a Director but, he as a Chairman of the Hindustan Levers cannot get into the Reserve Bank Board. Now how can he, with world cartel connections of the Lever Brothers, be expected to do full justice in the Reserve Bank? I am saying this without any passion, without any kind of malice because we have got first-class young men in our banks who could even reach the Directorship of the Reserve Bank. We do not want to make mistakes by inviting people who are actually connected with foreign firms to be on the Board of the Reserve Bank. We should not allow the doors to remain wide open thereby allowing the undesirable elements to come in. Even if a woman speaks here either on this side of the House or that side of the House, she speaks with some commonsense. The lady speaker from the opposite side warned us that the East India Company came over here and exploited us here and hence grew the British Empire in India. They came forward (Interruptions.)

श्री रामेश्वरानन्द (करनाल) : अभी तो आप कह रहे थे कि अमरोका से हम बहुत कुछ सीख सकते हैं, उनको आने देना चाहिये लेकिन अब आप यह कह रहे हैं कि ईस्ट इंडिया कम्पनी आई, उसने हमारे लिये बहुत मुश्किल पैदा कर दी, हमें बहुत हानि पहुंचाई। इन दोनों का मेल कैसे बैठता है ?

श्री जोकीम आल्वा : आप बैठिए। आपके साथ मैं बाद में बात कर लूंगा।

हम बाहर हिन्दी में बात कर सकते हैं।

Shri Joachim Alva: Now Sir, I come to my last point. That is, about the over eighty licences out of 116 licences granted to one big unit. It is true that in a particular period, may be, three or four years, we granted over 3,000 licences. Of this chunk of 3,000 licences, about, 120 were for big big units—each worth Rs. 50 lakhs and more. Whether this big chunk of licences went to one single unit of Birla or Tata—we are not concerned. Perhaps, Birlas may have got all those licences or somebody else. Why should the Finance Ministry not see to it that there is a proper distribution of licences? You know how the ministers and M.Ps. are pressurised to give licences. This is not good for the benefit of our country. Thus there can be no good foundations for a welfare State.

As somebody asked, if for one unit or one house over eighty licences of over Rs. 50 lakhs each are issued, what will others do? There should be something left for others too in a socialist State.

I want the Finance Minister and the Finance Ministry not merely to be the watchdogs of our finances, but also be watchdogs in such a way that our agriculture can be put aright.

There is one last, final and serious aspect that I would like to mention, and that is that no financial stability can come to this country, and no economic strength can be built up for our country if law and order break

down. We must have ruthless and impartial Ministers in charge of law and order, who will close their eyes and do their duty, even if the guilty person concerned be their brother, or father. Unless we have ruthless and impartial Ministers in charge of law and order here at the Centre and in the States, we cannot put our house in order. Economic chaos and instability will follow.

Shri S. M. Banerjee (Kanpur): I rise to oppose this Bill not because I am against the charging of supertax or surtax or excess tax on profits. I support such taxation, but I oppose this Bill only because this is a substitution of the super-profits tax which was introduced by the former Finance Minister. I remember that when the Super-Profits Bill was being discussed in this House, I had initiated the debate and I had pleaded with the then Finance Minister that no amount of pressure from the big business-houses should result in reducing the taxation. But I was surprised when certain amendments were moved by the Treasury Benches and also by the former Finance Minister. After those concessions were granted, my hon. friend Shri Daji read out certain figures to show what the recovery of those taxes would be after the acceptance of those amendments. By giving facts and figures, he proved that in the case of certain business-houses, the taxation had been reduced to the tune of 25 or 30 or even 40 per cent after those amendments had been accepted.

I remember that when the Super-profits Bill was being discussed, a team of big industrialists led by Mr. Tata was in Delhi, and there was enough pressure on the Government and on the Finance Minister that that tax should be removed. But the hon. Finance Minister stood by it. He did give some concessions but he did not withdraw the measure.

I have gone through the present Bill and I find that it has given further concessions to the big business-houses. The argument of the Finance Minister is that it is going to

[Shri S. M. Banerjee]

attract the foreign investors to invest more in this country, which, according to him, will strengthen our economy and will give more money for the success of our Plan. That may be true or that may not be true. But one thing is very clear, namely that we do not really know what the profits are. This House is going to impose a tax on excess profit, without knowing the actual amount of profits. The profits shown in the audit report or in the balance-sheets are far from the truth. We are yet to know the actual amounts, and I would like to know from the hon. Minister whether he has any apparatus to know the unexposed profits or the hidden profits or let us say, the black money with the big business-houses. After the report of the Vivian Bose Commission and the report of Professor Mahalanobis, we know that these monopolists in this country are trying their best to falsify the accounts, and have bogus shares, and they are manipulating in such a way that the profits would seem to be negligible. Since we have a mixed economy in our country nobody grudges the fact that a person who invests should have a reasonable profit. Now, the question arises as to what the definition of reasonable profit should be, and to what extent a person should be allowed to harvest at the cost of the nation.

The conception of socialism, according to me, is that State capital must grow more and more. The hon. Minister in his budget speech has made it absolutely clear that we want more foreign investors to come to our country. I have seen the functioning of these foreign investors. Let us take, for instance, the oil industry or the tea industry or the other industries and the fabulous amounts which they repatriate to the foreign countries as profits. If they are allowed a free hand in coming to our country and our capitalists are also allowed to set up units in collaboration with those foreign investors, especially the private investors, I do not know what will happen to this country, and whe-

ther the conception of socialism will remain intact or it will be reduced to ashes. I have a feeling that the Industrial Policy Resolution, which according to me was really something that everybody appreciated and hailed, has now been brought to dust. And I am afraid whether this foreign investment in our country may not be another East India Co. in our country and whether it may not endanger our conception of socialism or freedom. If the hon. Minister could give us some idea about what will happen to the repatriation of profits by the foreign investors, how that will be checked, and what amount will be allowed to be repatriated; I shall accept his thesis. But, according to me, and according to the various sources and according to the opinion in the country, this particular step will not take us forward towards socialism but will be a step backward. I would request the hon. Minister to give us some idea about the whole thing.

The other day, a U.S. team was here. They were extremely happy, as I read in the newspapers, to see the present policy of our Government. Why should the U.S. team be so happy if they knew that we were moving towards socialism, that we were for nationalisation of the foreign trade here and of all our big industries which are minting money at the cost of the people's happiness? Why were they so very happy? The reason is that they saw a change in the present policy of this Government, and that was why they were encouraged very much. I am sure that within no time, American money and the money of the other imperialist countries will flow into this country and it is bound to pollute the politics of this country.

My hon. friend Shri Joachim Alva has referred to the question about the grant of licences. In reply to a calling-attention-notice in this House, when the controversy arose between Shri Manubhai Shah and Shri K. C. Reddy, the hon. Prime Minister replied that 143 licences—I speak subject to correction—were issued to 7 or 9 big

business-houses, out of a total number of about 1400 odd licences. Then, we asked what the value of those 143 licences was in relation to the value of those 1400 odd licences? We are yet to get a reply to that question put by me, which was not only my question, but which was a question put to us outside this House by those who wanted to support this Government but who were opposed to the growth of monopolies in this country. I would like to know whether there is a change in the licensing policy of Government.

It is strange that the secretary of a particular Department is the chairman of three committees, perhaps the licensing committee and some other committees, and he has set up his own empire. This licensing committee is mainly influenced by the presence and pressure of that secretary who has been in the department, I believe, for the last seven years. Naturally, you will agree with me that when an ICS officer, and a senior ICS officer at that, remains in a department for more than five years, he has his roots, which affect the policy of our Government. I would like to know whether there is any change, and whether the hon. Minister is going to bring about any change in the licensing policy or whether he is going to allow it to remain as it is which will give rise to further monopoly in this country.

14 hrs.

There is another point, and I have done. About the profits now things will be referred to the Monopolies Commission. I spoke about the formation of the Monopolies Commission while speaking on the Finance Bill. I have some difference of opinion with the Finance Minister on this issue, because I think there is no need for this Commission. But, still, as the Commission has been formed with eminent persons, with Supreme Court Judges, I welcome it, but I would like to know why an eminent economist like Prof. Hazaria, for instance has not been included. I in this Commission. He was given

a job by the Planning Commission. I have read the cyclostyled report by him. Herculean work has been done by him. He has surveyed certain big business houses, and he has mentioned about the complex chain of Birla house. So, I would like the hon. Minister to kindly let me and the House know why eminent economists and representatives of the public have been ignored, why they have not got a place in this Commission.

This Commission should also consider the amount of black money, the income-tax evasion, the Wealth Tax evasion, and all other evasions by the big monopolists, and I am sure that, if the terms of reference are broad, if this Commission holds public sittings, if the representatives of political parties, eminent economists, eminent lawyers and chartered accountants are given a chance to place their view points before this Commission, many things will come out, and the black money hidden in this country with the monopolists and big business houses is bound to come out.

So, I request the hon. Finance Minister to justify this Bill not merely on the ground that it will attract foreign capital, but also by telling us how this is an improvement on the Supper Profits Tax Bill which is likely to withdraw in favour of this Bill.

With these words, I oppose this Bill, and would request the hon. Finance Minister to kindly enlighten us more about these things before we can give our consent to the passing of this Bill.

**Shri T. T. Krishnamachari:** My task in regard to this Bill has been made comparatively easy by the hon. Members who spoke on the measure avowedly, but covered very wide ground, about which you would not expect me either to be able to reply or to offer a reply. I, therefore, propose to confine myself to the criticism, that have been voiced on this particular measure.

My hon. friend Shri Morarka wanted to know whether the amendment proposed would cover loans of seven years where the instalment will start

[Shri T. T. Krishnamachari]

after two years. Yes, if the instalment is to be paid over a period of seven years, it will be covered. The last instalment must have a seven year duration at least, then the loan will be a seven year loan.

Shrimati Renu Chakravartty opposed the Bill on the ground that it gives away concessions which were not vouchsafed by the Super Profits Tax Bill. I would like to mention to hon. Members that this is only a part of the total tax strategy which is envisaged in the Finance Bill. In the Finance Bill, in regard to the basic tax—*income-tax* and super tax on companies—concession has been given of 10 per cent to certain specified industries, which are also specified here for a concession of 20 per cent of the super-tax. Certain other concessions have been provided to the companies, and in order to off-set these concessions as against distribution, we had a Dividend Tax incorporated in the Finance Bill, which the House approved yesterday.

This measure is an intermediate measure. While following the policy of giving some concessions to certain basic industries, it provides for two things. One is to mop up certain amount of money which might be in the nature of excess profits, that is a return of over and above 10 per cent of the block. The important thing, both in regard to the people who oppose the Bill and those who support the Bill is this: here is a clear indication of what the block is on which a return can be expected by the company, and what the return is. The block has been widened. Naturally, if the interest paid on what is construed to be the capital base is added up, to that extent it brings down the advantages, but that cannot be helped. You cannot have it bothways. But, in any event, it has been conceded that a ten per cent return is a fair return on the block. I think this has been generally appreciated as a fair indication of Government's policy.

Secondly, we cannot do without a tax measure which takes up the surplus profits, both for revenue considerations and for being in tune with certain policies in regard to prices that we are following. While undoubtedly—and it is wrong for anybody to interpret Government's policy otherwise—Government is following what is called a managed or planned economic, in which, to meet the basic needs of the people, prices have to be controlled if supplies are not adequate, even in a managed economy, control on prices need not be imposed if supplies are adequate and the distribution system does not abuse the price structure, but when supplies are not adequate, or there is maldistribution, or these fare both, then comes price control. But there is no meaning in having control over a number of commodities on which Government is not able to exercise any control. In fact, in the 16 commodities on which we removed price control in December, I found that Government did not have one prosecution, they were not in a position to go and investigate the prices and effectively control them. In fact, there is no meaning in having a price control which is not effective. We would rather loosen the control there, and mop up the extra profits. A tax of 40 per cent on anything above a return of ten per cent on the block is intended for that purpose.

We cannot altogether take away this excess profits tax when incomes are rising, when more profits are likely to be made because of Government policies, when in certain commodities price control may not be imposed. All these factors necessitate Government having some form of taxation which will mop up the excess profits.

I think Shrimati Renu Chakravartty has moved an amendment making it 50 per cent. It may be 50 or 40, but I think that for the time being 40 is adequate. So, this tax is something which is part of the entire scheme, rather than an isolated tax. Therefore,

I have nothing to say against people who find merit in the Super Profits Tax, but it is generally conceded that in the actual working of the Super Profits Tax, there were certain distortions, certain companies with a big capital base earned more, certain companies with loan capital, which is also included as capital now, did not earn more. So, that has to be taken away and something substituted.

I did not ever say that I was going to give a largesse as against the super profits Tax. If somebody thinks that it is the Super Profits Tax that has come in this form, I did not deny it. After all, basically the purpose is the same, but since the Super Profits Tax did not completely envisage the conditions that are now prevailing and the policies which have now taken shape which we are now trying to implement, a change is necessary. That is the justification for this tax. If you tell me that it is mild, I say I think it is more equitable.

If I had no Dividend Tax, and if there is no tax on section 104 companies, I am sure Shri Masani would not have objected to it so severely. . .

**Shri M. R. Masani:** I said so.

**Shri T. T. Krishnamachari:** . . . and I would not have got the very harsh words that he used against me. He does not like it. The point is that what is meat for one person is poison to another. I am sure my hon. communist friends did not wholly dislike the Finance Bill in spite of the fact that they did not say so specifically. There is the fact that they would not be prepared to join the Opposition and express their dissent to the Finance Bill because they know that it is a legitimate and proper attempt. I had very valuable support from Mrs. Chakravartty in the tax provisions that we have to check abuses. The overall strategy of the Finance Bill is something which they did approve. But it is ultimately the

person or the party in power which should equate over the different ideologists and approaches and do what is necessary for sustaining the economy. My hon friend Mr. Masani may tell me what happened yesterday in Bombay, that securities crashed. I know, Securities will crash and it will keep on crashing for some time. He may say that I am living in a fool's paradise. Of course I may be a fool living in a paradise, I may be a quack among economists. These harsh words never break any bones and my bones even at the age of 64 are tougher than those of Mr. Masani's. These are all in the game and I do not get offended. Now, Sir, I do not use harsh words. Why? Because I am on firm ground: I am absolutely on firm ground. . . (Interruptions).

**Shri M. R. Masani:** You are in office.

**Shri Ranga (Chittoor):** Otherwise your ground will tumble.

**Shri T. T. Krishnamachari:** You may protest; because you are not on firm grounds. It is the duty of the Opposition to criticise the Government. I quite see that. But the Opposition gets angry when they do not get proper arguments. . .

**Shri M. R. Masani:** We do not get proper answers.

**Shri T. T. Krishnamachari:** Therefore, the basic strategy of this measure is part of the overall strategy. That has to be understood before you condemn it or accept it. Hon. Members condemn it because they think it is not their duty to understand the basic strategy. But once they understand the basic strategy of the Government, well, there will be no opposition. But even if they understand it they have got to say that they do not understand it.

The Bill, Mr. Deputy-Speaker, is something which does not need further clarification or explanation over what has been stated. I do not think

[Shri T. T. Krishnamachari]

Mr. Peter Alvares understood this at all. He is a good student of economics but in his trying to justify or not justify the provisions of taxation policy, having criticised me as a Member of the Opposition, he missed the mark and I have only to meet two sets of opposition. One is that I have given something more to the industrialists than what is deserved, something which is wrong and which should not be given to the industry all the industry must deteriorate and ultimately wither away. The other thing is what whatever I do is wrong and therefore it has to be condemned. I do not think that I had any legitimate or even rational criticism of this particular measure because it cannot be for the reason that it is a sound measure. It is a modest measure undoubtedly. May be, one or two things may be wrong here or some adjustments would have to be made; maybe we have to raise the rate or lower it. But the strategy, I think, is correct and a year hence we will prove whether it is correct or not.

In regard to one amendment I have said that I have expanded the scope of this base of ten per cent by including any capital asset borrowed on the basis of a loan of seven years. It is no doubt true that there can possibly be different interpretations that might be put on the loans to IFC, etc. of a shorter duration which could have been the case originally as it stands, and which has been taken away. The proviso makes it very clear that all the loans covered by the main clause, provided they are subject to a term of seven years, will qualify. This and the other amendment which I have suggested are, as I have said, in regard to the extending of the scope of the commodities or rather industries which will qualify for the twenty per cent rebate. I think it is correct. I cannot give ten per cent away in regard to the corporation tax to those industries and at

the same time say that even if they pay excess profits tax from out of profit, they could not have anything to plough back to the reserves. Therefore, the system followed is a logical and consistent.

Mr. Masani is not correct when he said that 104 companies were exempted.

**Shri M. R. Masani:** I did not say so; I said many excluded companies will come in.

**Shri T. T. Krishnamachari:** I thought he said so. If he did not say so, my criticism is wrong. I do not think there has been any material comment otherwise. I hope at any rate that I have covered the points concerning the Bill. I have not covered the other things because I am not a licensing authority and I do not keep a list of licences. For that matter, in regard to foreign capital. I have stated my case and if hon. Members have got different points of view, well, they are entitled to.

**Mr. Deputy-Speaker:** The question is:

"That the Bill to impose a special tax on the profits of certain companies, be taken into consideration".

*The motion was adopted.*

#### Clause 2—(Definitions)

**Mr. Deputy-Speaker:** We shall take up clause by-clause consideration.

Firstly, clause 2.

There is an amendment.—No. 12.

**Shri Rameshwar Tantia (Sikar):** Sir, I beg to move:\*

Page 1, —

after line 22 insert,—

"(5A) Deficiency in relation to an assessment year means—

(i) Where there are chargeable profits in respect of the previ-

\*With Presidents' recommendation.

ous year relevant to that assessment year, the amount by which such profits as increased by the sum excluded under clause (xi) of rule 1 of the First Schedule fall short of the standard deduction.

- (ii) Where there are no chargeable profits in respect of the previous year relevant to that assessment year the amount of the statutory deduction". (12).

Sir, with regard to this amendment I say that surtax which has been imposed although it is less than the super profits tax was less than ten or 20 per cent in some cases. It was some relief given by the one hand and it has been taken by another hand. In super profits tax any deficiency was carried over for the next year but in surtax that is not the case. Hon. Finance Minister says he wants money to be ploughed back by the corporate sector. If one year there are losses to the company, next year it makes profit and the third year it makes profit, it has to pay surtax without considering that amount of deficiency. That is the amendment which I want to move and I think the hon. Finance Minister will give thought to this very reasonable amendment and will agree to this.

**Shri T. T. Krishnamachari:** Sir, I am not in a position to accept this suggestion of carry over of the losses in this particular measure. It is in the definition clause which he is putting it in and I am unable to accept that proposal.

**Shri Rameshwar Tantia:** In that case, I withdraw the amendment.

**Mr. Deputy-Speaker:** Has the hon. Member leave of the House to withdraw his amendment?

*The amendment was by leave withdrawn.*

**Mr. Deputy-Speaker:** The question is:

"That clause 2 stand part of the Bill."

*The motion was adopted.*

*Clause 2 was added to the Bill.*

*Clauses 3 and 4 were added to the Bill.*

**Mr. Deputy-Speaker:** Do you move the new clause or any other amendment?

**Shri Rameshwar Tantia:** No.

**Mr. Deputy-Speaker:** There are no amendments to clauses 5 to 26.

The question is:

"That clauses 5 to 26 stand part of the Bill."

*The motion was adopted.*

*Clauses 5 to 26 were added to the Bill.*

**Mr. Deputy-Speaker:** Now, we take up the First Schedule. There are some amendments to this. Does Shri Tantia move his amendments?

**Shri Rameshwar Tantia:** No.

**Mr. Deputy-Speaker:** The question is:

"That the First Schedule stand part of the Bill."

*The motion was adopted.*

*The First Schedule was added to the Bill.*

#### *Second Schedule*

**Mr. Deputy-Speaker:** Does Shri Tantia wish to move his amendments?

**Shri Rameshwar Tantia:** There is an amendment of mine. But the hon. Finance Minister has made the point

[Shri Rameshwar Tantia]

clear. I therefore do not move my amendment.

*Amendment made:\**

(i) Page 15,—

for lines 25 to 34, substitute—

“(v) any moneys borrowed by if from Government or the Industrial Finance Corporation of India or the Industrial Credit and Investment Corporation of India or any other financial institution which the Central Government may notify in this behalf in the Official Gazette or any banking institution (not being a financial institution notified as aforesaid) or any person in a country outside India:

Provided that such money are borrowed for the creation of a capital asset in India and the agreement under which such moneys are borrowed provides for the repayment thereof during a period of not less than seven years.” (1).

(ii) Page 16, line 15,—

for “such moneys as are”, substitute—

“the Debentures referred to in clause (iv) or moneys”. (2).

(Shri T. T. Krishnamachari)

**Mr. Deputy-Speaker:** The question is:

“That the Second Schedule, as amended, stand part of the Bill.”

*The motion was adopted.*

*The Second Schedule, as amended, was added to the Bill.*

*Third Schedule*

*Amendment made:\**

(i) Page 17, line 19,—

for “and” substitute “or”. (3).

(ii) Page 17, line 30,—

for “and” substitute “or”. (4).

(iii) Page 18,—

for line 4, substitute—

“(2) Aluminium, copper, lead and zinc (Metals)”. (5).

(iv) Page 18, line 5,—

for “iron ore and bauxite”, substitute—

“iron ore, bauxite, manganese ore, dolomite, magnesite and mineral oil”. (6).

(v) Page 18,—

for lines 13 and 14, substitute—

“(6) Equipment for the generation and transmission of electricity including transformers, cables and transmission towers.” (7).

(vi) Page 18,—

for line 19, substitute—

“(11) Fertilisers, namely, ammonium sulphate, ammonium sulphate nitrate (double salt), ammonium nitrate (nitrolime stone), ammonium chloride, super phosphate, urea and complex fertilisers of synthetic origin containing both nitrogen and phosphorous, such as ammonium phosphates, ammonium sulphate phosphate and ammonium nitro phosphate”. (8).

\*With President's recommendation.

(vii) Page 18,—

for line 21, substitute—

“(13) Tea”. (9).

(viii) Page 18,—

after line 21, insert—

“(14) Electronic equipment, namely, radar equipment, computers, electronic accounting and business machines, electronic communication equipment, electronic control instruments and basic components, such as valves, transistors, resistors, condensers, coils, magnetic materials and micro wave components.

(15) Petrochemicals including corresponding products manufactured from other basic raw materials namely, calcium carbide, ethyl alcohol or hydrocarbons from other sources.” (10).

As a result of the insertion of two new items in the list, item (14) may be re-numbered as item (16). (11).

(Shri T. T. Krishnamachari)

**Mr. Deputy-Speaker:** The question is:

“That the Third Schedule, as amended, stand part of the Bill.”

*The motion was adopted.*

*The Third Schedule, as amended, was added to the Bill.*

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

**Shri T. T. Krishnamachari:** I beg to move:

“That the Bill, as amended, be passed.”

**Mr. Deputy-Speaker:** The question is:

“That the Bill, as amended, be passed.”

*The motion was adopted.*

14.24 hrs.

ARMED FORCES (SPECIAL POWERS) CONTINUANCE BILL

**The Minister of State in the Ministry of External Affairs (Shrimati Lakshmi Menon):** Sir, I beg to move:

“That the Bill to continue the Armed Forces (Special Powers) Regulation 1958, for a further period, be taken into consideration.”

The Bill before the House seeks to continue for a further period the Armed Forces Regulation which was promulgated by the President in 1958 for the purpose of conferring certain special powers on officers of the armed forces to enable them to aid effectively the civil powers in the disturbed areas of Kohima and Mokokchung districts of the Nagaland and Tuensang Area. The duration of the regulation was initially restricted to one year. Since the disturbed conditions in the districts of Nagaland and Tuensang Area continued, the regulation was extended from year to year by the Armed Forces (Special Powers) Regulation promulgated by the President under article 240 of the Constitution, read with paragraph 18(2) of the Sixth Schedule of the Constitution. The last extension of the Regulation was made up to 4th April, 1964.

Consequent on the formation of the State of Nagaland, it was pointed out to us that the extension of the Regulation for a further period has to be effected by Parliamentary legislation.