Now the Finance Minister.

The Minister of Finance (Shri T. T. Krishnamachari): Mr. Speaker, Sir..

Shri J. B. Kripalani (Amroha): Sir, I have been standing for some time.

Mr. Speaker: I am sorry. I have already passed on to the next subject. It will create great difficulties for me. So, I would request the hon. Member to resume his seat.

Shri J. B. Kripalani: Sir, I rarely get up, and whenever I try to catch your eye, I miss it. It is my misfortune.

12.50 hrs.

STATEMENT RE: ECONOMIC SITUATION IN THE COUNTRY

The Minister of Finance (Shri T. T. Krishnamachari): Hon. Members would recall that in the last session of the Parliament I had occasion to review economic conditions in the country. During the current session the House has had several opportunities for discussing the emergent economic situation, particularly in regard to agricultural prices. The steps we have taken, and propose to take, to increase agricultural production and to regulate the distribution of agricultural commodities have also been the subject of discussion both in this House and outside. My intention in making a statement in the House today, however, is to deal with some other areas which have an equal bearing on the health of the economy.

2. The steps we took during the first two years of the current plan period to overcome the shortage of transport, power and coal have had a salutary effect on industrial production. Despite the difficulties created by the Chinese attack on our borders, industrial production in 1963-64 increased by 9.2 per cent as against an increase of 8 per cent in 1962-63 and 6.4 per cent in 1961-62. It is too early yet to forecast the outlook on industrial production for the current year as a whole. It is, however, clear that in many of our important industries we have now reached a situation where further increases in production will depend materially on our ability to bring new capacity into operation as soon as possible. In the public sector, programmes for expansion in a number of basic industries, such as steel and machine building, are well under way. In the private sector also arrangements for licensing establishment of new capacity as well as for providing foreign exchange for the import of equipment have been completed. Simultaneously, we have taken many steps, such as the establishment of the Development Bank and the Unit Trust, to provide adequate resources for the promotion of industrial activity.

3. Nevertheless, it is generally felt—and this feeling is to a large extent true—that the investment climate is not there, that is, there is something lacking in our present arrangements for stimulating a greater flow of savings into industrial investment. While these arrangements are fairly adequate in regard to loan finance which along with internal resources of industry constitute a very important element in industrial investment, the lacuna in respect of individual investment in equities is there. But in a community in which we seek to extend the area of participation by the people in industrial expansion, there is need for greater stimulation of investment in equities. I feel that our present arrangements in this regard are not adequate. As the House is aware the state of the capital market for equity issues, particularly those of new issues, is far from encouraging. A large proportion of equity issues has had to be taken up by under-writers in the recent past. The main reason for this is that the investing classes, particularly those with modest means, find it difficult to wait for several years without any return on their investment in the shape of dividends. Those who cannot afford to wait at all, prefer

[Shri T. T. Krishnamachari]

debentures and other forms of investment which give some immediate return. Others who look for a higher return and for that purpose are prepared to wait for some time, still prefer to stake a claim on the first profits of new companies by subscribing for preference shares. Most, therefore, are inhibited from subscribing to the ordinary equity shares of new companies. At the same time, it is precisely in important industries where the gestation period is somewhat long that creation of capacity by building up new units is particularly desirable. In order to deal with this situation and to encourage private investment in equities from now onwards Government desire to announce some measures which I propose to include in the next Finance Bill.

4. The intention is to provide that investment by individuals in ordinary equity shares floated for the first time by new companies embarking on industrial ventures will be entitled an an assistance from Government which will go to reduce the amount of the ultimate outgo from the individual in respect of investments during that year. This assistance will take the form of tax credit certificates valid for a limited number of years. This assistance that Government intends to give in regard to any particular investment in industrial companies will be spread over four years. To ensure that the investment is made by a genuine investor and not made for speculative purposes, the scheme has been devised as follows: For investments upto Rs. 15,000, tax credit certificates will be issued for an amount equal to 5 per cent of the value of the investment each year for four years so long as the shares are held by the original investor and are not transferred. For the next Rs. 10,000 of investment, the assistance will be of the order of 3 per cent per year for the same period, and for the next slab of Rs. 10,000, it wil be 2 per cent per year for the same period. In all, therefore, there will be a ceiling of Rs. 35,000 in terms of investment by an individual during a given year which would qualify for this assistance. Assuming that the full amount is invested in a year, the total value of the tax credit certificates earned on investments in any given year will be limited to Rs. 1,250 per year for a period of four years. The investment need not be in any one particular company alone. It will be the aggregate that counts for the assistance. These tax certificates can be used to discharge all income-tax liabilities. In cases where the total liability in respect of these taxes, I would like to say all direct taxes, is less than the amount of the tax credit certificate, or where there is no tax liability at all, the amounts refunded after twelve months from the date of issue of the certificate. The amounts covered by the tax certificates will be treated as capital receipt and not taxed as income as it is intended to reduce the amount of the ultimate outgo from an individual in respect of investments which qualify for this assistance. While any such investment will, if transferred or sold during the period of four years, cease thereafter to qualify for this assistance, cases of devolution by inheritance will not be regarded as transfers.

5. As I have said at the outset, it is Government's intention to provide that subscriptions to all new issues by industrial concerns made from now onwards will qualify for tax credit certificates. Further details, such as the Industries to be covered and the procedure for obtaining tax credit certificates are being explained shortly in a Press Note. Hon. Members will note that in devising this assistance Government have taken particular care to encourage the growing class of people who have only modest surpluses to invest even though they may not have any significant tax liability. It is my hope that this measure, together

with all the other measures that we have already taken, will encourage equity investment by individuals and would further facilitate the establishment of new industrial units in the country.

6. The Government Securities market has for sometime now depended mainly for subscription from institutions, some of them Government agencies. Private subscription to Government securities has been very small. Possibly, private investment goes into other forms of investment opportunities provided by Government. Even so, it seems necessary for Government to cultivate this market. Income earned on Government securities is at present subject to the unearned income surcharge. It is proposed to provide that in the case of individuals, the surcharge leviable on unearned income will not be levied on income arising from interest on Government securities.

7. I would also refer to another change which it is proposed to be introduced. We have been receiving a significant amount of remittances from our nationals and others who are not normally residents of this country. Of late, there has been a decline in the total amounts received by way of such remittances and the Government has received a number of representations in regard to the facilities which we provide to non-residents who wish to remit money to India. I would like to reiterate that the money repatriated by non-residents is not subject to taxation even as at present. What is more non-residents who bring money into India for temporary periods are allowed to repatriate freely these funds provided they are kept in a non-resident account and income-tax is paid on any interest earned. Because of this provision regarding the payment of income-tax on interest earned, many non-residents particularly those of Indian origin, who might have otherwise liked to keep their funds in India for varying periods are discouraged from doing so as many other countries offer more attractive facilities. It is, therefore, proposed to provide that interest accruing in a non-resident account on moneys transferred by a non-resident to India from abroad through recognised banking channels and maintained in any bank in India will be exempt from Indian taxation. Such interest will not be included in the taxable income if any, of the non-resident for the assessment year 1965-66 and subsequent years. Repatriation of these funds together with interest earned will of course continue to be allowed freely as at present.

8. The measures I have just announced all relate to taxation matters and will therefore have naturally to form a part of the next Finance Bill. I have, however, decided to announce them at this stage and make them applicable from now onwards as I feel that, even during the next two months, these measures would have a beneficial effect on the economy.

Shri P. K. Deo (Kalahandi): Sir, this statement may be circulated.

Shri Hari Vishnu Kamath: (Hoshangabad): This statement should be circulated.

Mr. Speaker: All right.

12.55 hrs.

GOLD (CONTROL) BILL—*contd.*

Mr. Speaker: The House will now take up legislative business. Submission to the vote of the House of the following motion moved by Shri T. T. Krishnamachari on the 23rd December, 1964, namely:—

> "That the Bill to provide, in the economic and financial interests of the community, for the control of the production, supply, distribution, use and possession of, and business in, gold and ornaments and other articles of gold and for matters connected therewith, as amended, be passed."