

NOES

Berwa Kotah, Shri
Buta Singh, Shri
Cryati Devi, Shrimati
Kapur Singh, Shri
Kishan Singh

Rajaram, Shri
Ram Singh, Shri
Ranga, Shri
Reddy, Shri Narasimha
Shashank Manjari, Shrimati

Singh, Dr. B. N.
Solanki, Shri
Vijaya Raje, Shrimati
Yashpal Singh, Shri

Shri Kapur Singh: My vote may be added to 'Noes'.

Shri K. C. Pant (Naini Tal): My vote may be added to 'Ayes'.

Shri M. S. Aney: My vote may be added to 'Ayes'.

The Parliamentary Secretary to the Minister of Mines and Fuel (Shri Thimmaiah): My vote may be added to 'Ayes'.

Shri S. C. Samanta (Tamluk): My vote may be added to 'Ayes'.

Shri Rameshwar Tantia (Sikar): My vote may be added to 'Ayes'.

Mr. Speaker: The result of the division is as follows:

Ayes 89; Noes 14.

The motion was adopted.

The Bill, as amended, was passed.

17.10 hrs.

SUPER PROFITS TAX BILL

Shri Morarji Desai: Sir, I move:*

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

This Bill has now been before the House for about seven weeks and during the general discussion on the Budget its provisions have been subjected to a widespread and searching scrutiny from various aspects by hon.

Members. In fact, out of the three Bills forming part of the Budget proposals for this year this Bill seems to have attracted more attention, both in this House and outside, than the other Bills. In the speeches made by the hon. Members and in the large number of representations that I have received on the subject, various comments and suggestions have been made regarding the provisions of this Bill. Sir, I am very grateful for these views and suggestions. I have considered all these suggestions and have already made a statement in this House on the 16th instant announcing a number of concessions on various points on which I considered relief was justified. In my statement I had referred to the main points in the criticism of the Bill and also to the various opinions held in different quarters regarding the expected revenue from super profits tax. I do not, therefore, propose to take the time of the House again in dealing with these matters.

The official amendments necessary to give effect to the proposed concessions announced by me will now be introduced by me in this House for its consideration. As the concessions involve several changes in the existing provisions of the Bill, it has become necessary to carry out numerous substantive as well as consequential amendments. There are also some clarificatory or drafting amendments. I shall now briefly refer to the main changes which are sought to be made through these amendments.

The majority of the substantive amendments relate to the First Schedule of the Bill containing provisions

*Moved with the recommendation of the President.

for the computation of the chargeable profits or the profits liable to super profits tax. These amendments may be broadly divided into three groups. Under the first one, it is sought to exempt from super profits tax, by exclusion from the chargeable profits, such items of income or payments which qualify for a rebate of tax under the Income-tax Act. Instances of this are income of new industrial undertakings and hotels, interest on income-tax free securities of the Central or a State Government and donations to the National Defence Fund as well as other charitable donations. The sums to be excluded will of course be limited to the amount on which a rebate of tax is admissible under the Income-tax Act. These exemptions will preserve with the companies the benefits which they obtain from the tax rebate under the Income-tax Act and thus promote the objects for which the rebates have been provided for.

The second group of the proposed amendments in the First Schedule relates to items which, *inter alia*, have a direct bearing on the industrial development of the country. By these amendments it is proposed to exclude from the chargeable profits the dividends received by companies from an Indian company or any other company which declares its dividends within India, and also their income by way of royalties received from the Government or a local authority or an Indian concern. Further, in the case of non-resident companies it is proposed to exempt their income by way of interest, and fees for rendering technical services received from the Government or a local authority or an Indian concern. Incidentally, foreign loans and particularly the rate of interest payable thereon are now generally the subject matter of approval by the Government and, on approval, the interest is eligible for exemption from income-tax and super-tax.

Under the third category of amendments to the First Schedule, there are provisions for certain deductions and allowances which are meant to ensure

that companies are left with adequate funds for building up resources for future expansion and meeting their financial commitments. For this purpose it is being provided that companies, other than banking companies, will be entitled to a deduction equal to 10 per cent. of their total income before tax, from their chargeable profits. For the assessment year 1963-64 for which accounts would have been closed in most cases and dividends might also have been distributed, no conditions are being attached to the grant of this deduction. However, in respect of assessment years from 1964-65 onwards conditions are being imposed to ensure that an amount equal to the deduction allowed is credited to a reserve for being utilized by the company solely for acquiring capital assets in India or repayment of their borrowings or payment of dividends on their preference share capital in excess of six per cent., for a period of five years. These conditions will not apply to electricity supply companies, which are subject to certain restrictions in the matter of creating reserves under the provisions of the Electricity (Supply) Act, 1948.

A different provision is proposed to be made in the case of banking companies which are required to create reserves annually and are also required to create further reserves voluntarily due to the special needs of their financing business. Under this provision, banking companies would be entitled to deduct from the chargeable profits the entire amount of the reserves created by them during the relevant year from their assessable income, not exceeding the highest amount of such reserves during any of the three preceding years. For this deduction, banking companies will also be required to produce a certificate from the Reserve Bank of India, certifying the reasonableness of the amount of the reserves.

Under the existing provisions, in computing the chargeable profits for super profits tax, a deduction is allowable from the total income for

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the gross amount of income-tax and super-tax payable thereon, instead of the net tax actually payable after allowing reliefs and rebates under the Income-tax Act. However, as the items of income and payments on which companies are entitled to a tax rebate under the Income-tax Act are now proposed to be excluded from their chargeable profits, as mentioned by me before, it is being provided that only the net amount of the tax actually payable on the total income will be allowed to be deducted. A provision is also being made to the effect that where the foreign income of a resident company has been taxed doubly, in India as well as in a foreign country, the net amount of foreign tax payable by the company will also be allowed as a deduction.

As hon. Members are aware, there is a provision in the Finance Bill for allowing a rebate of income-tax and super-tax to exporters or to manufacturers selling certain commodities to another person for export. In order to preserve the benefit of this tax rebate, it is being provided that the amount of the rebate will also be allowed as a deduction along with other taxes.

In regard to the computation of capital with reference to which the amount of the standard deduction is calculated, a provision is being made to clarify that the amount standing to the credit of the development rebate reserve will be treated as a part of the capital. Further, as inter-corporate dividends and interest on income-tax free securities are now proposed to be excluded from the chargeable profits, it is being provided that the amount invested in such shares and securities will be excluded from the capital base. The amount of such excluded investments will be computed by setting off against their cost to the company, the amount of its outstanding borrowed money and also the amounts held by it in its various funds or by way of a

surplus from past profits etc. which are not included in the capital base.

Sir, it had been represented that companies having a small capital base and also newly started companies which would, practically, have no reserves would be entitled to a small amount of standard deduction and will, therefore, suffer from a heavy incidence of super profits tax. Having regard to this position, it is being provided that the standard deduction will be either six per cent of the capital and reserves of a company or Rs. 50,000, whichever is higher. Thus, where the six per cent amount of the capital base of a company is less than Rs. 50,000, it will be entitled to a standard deduction of Rs. 50,000.

Sir, in addition to the concessions announced by me, I propose to make a provision for the grant of relief from super profits tax on the occurrence of deficiency, viz., where the profits for super profits tax fall short of the standard deduction or where there are no such profits. It had been represented that the absence of such a provision would cause hardship in the case of businesses whose profits fluctuate widely from year to year. If no relief is given on account of a deficiency of profits in an unfavourable year by setting it off against the profits in a favourable year, the company may not be left with adequate funds to meet its financial commitments in a subsequent unfavourable year. A provision is, therefore, being made for the carry-forward and set-off of deficiency in a particular year against the net amount of profits liable to super profits tax for the next following three years.

The remaining proposed amendments are of a consequential or clarificatory or purely drafting nature for which I do not propose to take the time of the House any further.

Before closing I would refer to the provision in rule 3 of the First

Schedule which enables the disallowance of expenditure on account of remuneration, commission, entertainment and advertisement to the extent such expenditure is held to be excessive having regard to the circumstances of the case. Certain misgivings and apprehensions have been expressed in some quarters regarding the operation of this provision. This provision is, however, not a novel one. A somewhat similar provision existed in the Excess Profits Tax and Business Profits Tax Acts. The object of this provision is to put a curb on any tendency towards incurring excessive expenditure not related to actual business needs, which would beat the expense of the shareholders and also cause loss to revenue. The powers of disallowance under this provision are meant to be exercised in cases where such excessive expenditure has been incurred mainly with a view to reducing the incidence of super profits tax and is not related to the actual needs of the business. The disallowance will be made after considering all the facts of the case and the procedure to be followed in the matter will be in consonance with the principles of natural justice. The disallowance can be made by the Income-tax Officer only after he has obtained the approval of his superior administrative officer. Any such disallowance is also appealable.

Sir, I confidently hope that after the proposed changes explained by me, the provisions of the Super Profits Tax Bill will receive full support from the House.

With these remarks, Sir, I move.

Mr. Speaker: Motion moved:

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

Shri Morarka (Jhunjhunu): Sir, for this Bill and for the other Bill, namely, the Compulsory Deposit Scheme Bill, six hours have been allotted. Since we are taking these Bills separately, I would request you

to allocate separately the time for both these Bills.

Secondly, Sir, this Bill is a very important Bill and we did not expect that it would be taken up today for the simple reason that the House had taken a decision that after the Finance Bill is passed the House will sit till 5 o'clock only. Since the Finance Bill has already been passed, we thought that now the House will adjourn at 5 o'clock. So we have not brought our papers and we are not prepared.

Then, besides that, the Government amendments to this Bill which are very important and very vital were received this morning. To those amendments we have given notice of further amendments and hon. Members have not got the notice of our amendments so far. From that point of view also it would be more useful to have this debate on Monday. Therefore I humbly request that looking to the importance of this measure which is not only novel but very important too the debate may now be continued on Monday.

Mr. Speaker: But he can have that advantage. He may send in the notice of amendments and I will waive the delay. So far as other hon. Members are prepared to speak, we can continue the debate.

Shri Morarka: The amendments have been sent in but they require the President's assent. They have to go through that formality. In any case though you would be kind enough to waive the delay, the amendments would not be before the hon. Members. To that extent there would be no appreciation of my amendments.

Shri Morarji Desai: That will be on the amendments.

Shri Morarka: They are amendments to the Government amendments.

Shri Morarji Desai: They will be moved on Monday.

Mr. Speaker: I will allow him that opportunity. He would not suffer. But in spite of this handicap there are hon. Members who can speak. There-

[Mr. Speaker]

fore why should we lose this half an hour? Normally also we ought to have gone till 5.30 for passing the other Bill. Therefore it was expected that we will sit upto that time.

Shri S. M. Banerjee (Kanpur): As regards the first point raised by my hon. friend, Shri Morarka I would like to know how the six hours will be distributed between the Super Profits Tax Bill and the Compulsory Deposit Scheme Bill.

Mr. Speaker: For the present we have put three hours for each. But if there is some adjustment to be made I will make it.

Shri Morarka: This Bill should be given four hours.

Shri Deorao S. Patil (Yeotmal): I oppose it.

Shri S. M. Banerjee: If this is to be given four hours, I object to it. The other Bill is equally important. This Bill concerns simply the big industrialists but that concerns the entire country.

Mr. Speaker: I have said, I would give three hours to each. The time-limit for speeches would be 10 to 15 minutes for each hon. Member—10 minutes normally but 15 minutes in some cases.

Shri S. M. Banerjee: Mr. Speaker, Sir, at the time of the presentation of the Budget, this was the only tax which was hailed by all those toiling millions who thought that profits should also be taxed much more. At the time of discussion, many Members raised a doubt and they rather put this pointed question to the hon. Minister whether or not he was going to yield to the pressure of big business houses. I remember this question was put by my hon. friend Shrimati Renu Chakravartty and the hon. Minister replied that he was not either going to yield to the pressure of the big business houses nor the other one. I have gone through these amendments. With

the little knowledge that I have in the matter, I welcome only one provision. I am all for giving some relief to those who have started new industries, who have practically no reserves. I am sure the imposition of this tax on these small units or small concerns or newly established concerns would have completely ruined these concerns and I am sure there would have been liquidation of these units. As far as that is concerned, I must thank the hon. Minister for saving these units from ruination. But, for the others, take for instance, this amendment about relief on occurrence of deficiency.

“Where there is a deficiency in relation to any assessment year, the assessee shall be entitled to relief in accordance with the following provisions, namely,—

(i) the amount of the deficiency shall be carried forward and set off against the net chargeable profits of the assessee assessable for the next following assessment year....” and so on.

I need not read the entire amendment, because the time at my disposal is too short. Let us know what are the profits. I do not want to tax the House at the fag end by quoting the profits of many industries, like sugar, iron and steel, textile in some places, jute and other big industries about 8 or 9 big industries where I feel that these industrialists are controlling the economy of this country. The profits are exorbitant. Sometimes it is fabulous. If there is a profit and if the super profits tax has been levied by the hon. Finance Minister, when he has levied a tax on kerosene, when he has taxed small things which are used as necessities of life by poor people, I do not know why there was so much stir. I was in Calcutta at the time when the entire agitation was going on by big industrialists and I was told by a friend of mine that even the TISCO—Tata and Steel Co. will come to a standstill after 15 years if this tax was

not withdrawn or modified. I do not know what he hinted. I am yet to know a concern which has so much of capital, which is earning so much of profit. And yet, by paying the super profits tax, they will come to a standstill or they will liquidate themselves—it is ununderstandable.

I have got some document. A survey was made under the instructions of the Planning Commission by Prof. Hazari into the working of the corporate sector. These documents are really very healthy about the functioning of the various groups. A Study of Inter-corporate investment: The Birla Group of Companies by R. K. Hazari: a full report, I am told has been submitted to the Planning Commission, where he has said about the working of particular concerns, Birla group or any other group. He has not only made a survey of the Birla group, but of many other groups, Mafatlal, Walchand and other groups in the country. He has submitted a report to the Planning Commission. I would like to know from the hon. Minister whether this report will be made available for the Members of Parliament. He has mentioned:

“Subject to limitations stated above—he had some limitations in his observation, in his survey—it is estimated that the Birla Group consists of 182 companies, with an authorised capital of Rs. 175 crores and a paid up capital of Rs. 58.35 crores. Of these, only 31 are private companies accounting for Rs. 3.45 crores of authorised and Rs. 1.68 crores of paid up capital.

Then, he has said:

“Among the highlights of the occupational distribution of the companies, which might turn out to be rather unique, is the considerable interest in such strictly non-industrial activities as trading, publishing, investment and real estate and construction.”

This report, I am sure, has shown that Professor R. K. Hazari has taken

enough interest to go into these various problems. He has not attributed any motive to the corporate sector, but he has given certain facts, and in the conclusion he writes:

“As many as 7 companies earn negligible or nil dividend though their investments total Rs. 38.18 lakhs.

It may not be warrantable to infer from these data that Birla investments are made entirely with a view to enhance the importance of the group as a whole without regard to earning dividends, but it is definitely true to say that there is considerable disparity in the earnings of various companies. Even if investment holdings are managed on a group basis, such disparity in earnings is difficult to explain nor does it appear to be fair to shareholders of at least some companies. Indeed it is hardly possible to discover any rationale in the distribution of holdings among the various constituent companies.”

As the time at my disposal is very short, I would only request the hon. Minister to kindly consider this. I would request my hon friends who are equally interested to know about the working of this group in our country to kindly go through the report submitted by Professor R. K. Hazari to the Planning Commission.

When we are talking about the super-profits tax and the fabulous profits earned, may I invite the attention of this House to the licencing procedure? We find that these mill-owners have come forward and represented to the Finance Minister that they should not be taxed. I was surprised to know that out of 215 licences issued in 1960-61, about 143 have been issued to only six business-houses. The Tatas got 30, the Birlas got 57, Surajmal Nagarmalls got 14 and the Sri Ram Group got 15. I am surprised to know—and I would like to know the reason for this

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from the hon. Minister—that even the Sahu Jain Co. and Dalmia against whom an enquiry was going on right from the year 1956 also got some licences: Dalmia 5, and Messrs. Sahu Jains got 7 licences. I do not know if he was so good a person that a licence could be granted to him, even though an enquiry was going on since 1954 or at any rate an enquiry had started right from 1956. I am really surprised to know. I would like to ask why a licence was granted to him. I am only talking of the issue of licences, because a monopoly is growing in our country, and this is against the spirit of our Industrial Policy Resolution.

Since they have concentrated wealth, they should not mind paying super-profits tax. I am prepared to accept any amendment, but the amendments suggested by the hon. Minister with the exception of one or two were not warranted. When he could reduce the duty on kesosene oil only by 4 nP. or 2 nP. when he could not possibly reduce the rate of tax or excise duty on unmanufactured tobacco when the tobacco dealer cringed before him, and when he could not give any concession in regard to diesel oil even for the agricultural worker even though we had requested him, I do not know why he has sought to give through these amendments so much concession to the private sector.

I do not impute any motives to anyone. But there was a threatening. I know that the Tata group represented on this matter. I know that Mr. J. R. D. Tata was here in Delhi. Normally, he never moves from Jamshedpur unless it is absolutely essential.

So, I would request the hon. Finance Minister to kindly consider this matter very seriously whether these concessions were at all necessary. Those people want to shoot the Government, they want to terrorise the Government and bully the Government with a double-barrelled gun. One side is turned towards the working

classes, saying 'Look here, if this super-profits tax comes into force, you are not going to get any bonus, your bonus will be frozen, and your wages will be frozen, and so on. The other bullet is aimed by them at the Government saying 'Look here, if this tax is imposed, there will be huge unemployment. We shall close down our concerns. It is high time that Government resisted this pressure.

I do not know why they should offer so much resistance to the super-profits tax; when there is concentration of wealth in this country, when the tax evasion is to the tune of Rs. 300 crores, when income-tax and wealth tax arrears are to the tune of about Rs. 181 crores, which may be effective arrears, they had no business to come to Government. I am sorry that our Finance Minister, a man of unquestionable integrity and straight forwardness, for whom I have the greatest regard, has ultimately yielded not to the pressure of the common people but to the pressure of the Tata and Birla groups.

Shri Himatsingka (Godda): I am glad the Finance Minister has taken into consideration the various suggestions made in the House and he has been pleased to adopt such of them as he could reasonably accept. We are thankful to him for having done so. Today when moving the Bill for consideration, he has clarified certain other points and has introduced one more important improvement, namely, the question of deficiency being carried for three years. That was certainly necessary.

I cannot understand the objections raised by Shri Banerjee when he says that these concessions should have been granted. As a matter of fact, if he had read the speech of the hon. Finance Minister when he announced the concessions, he would have found the answer. He made it clear that if he came to the conclusion that the provisions of the Bill stood in the way of, any progress, any development of

the corporate sector—which is a sure source of revenue—he would be the first person to ask for their repeal. He certainly took into account suggestions made by different Members here because he must have felt that these concessions were necessary in order to see that industry did not suffer, and that the corporate sector continued to function properly and remained a source of help. Therefore, there is nothing that could be taken exception to in connection with the improvements that have been made by him.

I have been hearing off and on from Members of the Opposition, specially from the Communist Group, that no help should be taken from western countries, in spite of the emergency, in spite of our great need, in spite of the fact that it will take a lot of time for us to be in a position to meet the challenge of China unless we took help from all friendly countries willing to help. But their suggestion is—do not take any help. Apparently they want to keep our country weak so that we may succumb to the incursions and invasion of China. That can be the only motive for suggesting that we should not take any help from friendly foreign countries willing to help us. They are not coming and forcing help on us. They are giving help on our asking. Therefore to say that we are mortgaging our country to foreigners or foreign countries is very uncharitable.

Shri S. M. Banerjee: Who said that?

Shri Himatsingka: I do not want him to interfere. The Communist friends have been suggesting everyday in season and out of season, that what they call the Air Umbrella should not be taken, that is to say, we should leave our defences unprotected.

Shri S. M. Banerjee: Even the Prime Minister says that.

Shri Himatsingka: The Prime Minister has never said so and if my

hon. friend is trying to read something in the Prime Minister's Statements which does not exist, it is not correct to do so.

Shrimati Yashoda Reddy (Kurnool): He never mentioned even the Communist Party. Why do you feel guilty about it?

Mr. Deputy-Speaker: Order, order.

Shri Himatsingka: Therefore, it is necessary that our country should make preparations to meet the challenge from every source. We should also take help from friendly countries to whom we are thankful for offering their help, for giving us all kinds of suggestions and help.

A number of Members said that the country had made no progress. In fact, some of them went so far as make preparations to meet the challenge to say that we were worse off than in 1947. But there are some figures in the Report of the Reserve Bank which are revealing, which show that there has been all round progress in India during the first decade of planning and developing, from 1951 to 1961.

In 1952 deposit accounts in the various banks were only 32 lakhs; in 1961 they rose to 65 lakhs. The amount of deposits in 1952 was Rs. 892 crores which rose to Rs. 2,049 crores in 1961. The point to note is that half of the total deposits in 1961 belonged to individuals and not to the corporate sector.

Borrowers' accounts in 1952 were 380,000 which rose in 1961 to 12,30,000. The credit granted in 1952 was Rs. 535 crores which rose to Rs. 1,321 crores in 1961. Here again, the steep rise in the number of borrowers indicates that bank credit was available to a much wider cross-section of the people.

In spite of this all-round growth in the country, we have not been able to achieve what we should have. The growth of the national income is still small. In the first year of the Third Plan the rise was only two per

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cent as compared to seven per cent in 1960-61. At 1948-49 prices, there was practically no improvement.

There has been lesser agricultural production in the Third Plan. The progress has not been up to the mark and we are still behind schedule.

The average growth in the last decade has been at the approximate rate of 3.5 per cent while it is much more in other countries. If India is to withstand aggression from the north, our national income should certainly rise much more than at present. Therefore, planning needs some attention so that we can have more improvement.

If proper steps are taken, agricultural production in the country will greatly increase. I shall give figures of production in different countries in selected crops. Production of rice in India is about 1,500 KG. per hectare, while in USA it is about 4,000 KG and in UAR about 5,000 KG. We produce only about 750 KG of wheat per hectare, while West Germany produces 3,500 KG. In our country production of potatoes is about 7,500 KG per hectare, while in West Germany it is 24,000, in Japan 17,000 and in France 17,000. Cotton produced in India is 125 KG per hectare, while in UAR it is 620. In India, tobacco production is about 800 KG whereas in other countries it goes up to 2,000. Our country needs funds for improving agriculture and industries and also for meeting the challenge from the North. It is possible to do so only if the country is called upon and is willing to help the Government with resources and the country is behind the Government in supporting the taxation measures, especially when the Government is willing to consider any reasonable suggestions so that the private sector may not suffer.

One of the reasons why we have not improved our agriculture much is that different authorities are dealing with the subject and there is also the neglect of the States. After all agri-

culture is a State subject and it can thrive and improve if effective steps are taken in different States. From the lower level proper attention is not given. The Planning Commission and other authorities should see that we get better yields from our lands that we may not have to import food grains such as wheat and rice or cotton from foreign countries. If our agriculture improves, I think there will be no occasion for spending available foreign exchange over these agricultural commodities. Government and the persons in charge of agriculture should take such steps as may be necessary to give a fillip to agriculture so that production may rise.

I should thank the hon. Finance Minister for having met a number of objections of the persons who will be affected. He cannot satisfy everybody because some people still say that the Bill is harsh and will work against them. He has tried to meet all possible objections and we are thankful to him.

Shri K. Barua (Jorhat): Mr. Deputy Speaker, Sir, this is one measure to which, I would like to extend my full support. One thing that annoys me is that the entire private sector, particularly those who are holding the major income, have created some sort of an atmosphere in the country as if the entire private sector is crumbling down because of the super profits tax. They have created a psychology in the country which is not very conducive at this critical juncture. I can quite understand these people putting up their grievances in a way which is consistent with the mixed economy policy of the Government. Not being satisfied with that, they have utilised their entire machinery, resources, organised Press to show that here is Government policy which has dragged the country to complete ruin. In fact some people who have not the time or the mind to go into the basis of the taxation proposals are trying to lend support to this organised group.

That is not a very healthy atmosphere. Government is also not trying to counteract the subtle propaganda which is mischievous through their propaganda machinery. There is some reason for that, I apprehend. Because the Government cannot afford to offend the vested interests, as to a large extent they depend upon the strength of these vested interests.

You will be surprised to note that in a memorandum submitted to the Prime Minister by the Delhi Shareholders' Association, they have had the arrogance to say that it is they who are keeping the Government in power. This is what they say:

"Then come contributions to the political parties to keep them in the legislature and in the Government."

This is what they feel like. That is why probably they are not really serious about the measures, but now they feel that by their pressure they will be able to compel the Government to succumb to their tactics. On the one hand, they say their backs are broken and they are not in a position to pay the tax. In the memorandum, they say:

"The Finance Minister estimates a revenue of 25 crores from Super Profits Tax. The private sector could have raised their voluntary contributions to this figure of 25 crores cheerfully and thus discharged the Finance Minister of his obligations of raising this amount from Super Profits Tax."

So, you can realise to what extent they can go in this memorandum, or they have gone in this memorandum, submitted to the Prime Minister by the Delhi Shareholders' Association, which is presided over by a retired ICS officer.

I say that the attempts to denounce this super profits tax are not based on facts. They have got a long-range purpose behind this. What I feel is they are very unhappy about

the socialistic approach that is being made in the country by the Government and the people, and that is why they want to take advantage of the situation to stifle the whole approach. That is being corroborated in the memorandum submitted by this Association to the Prime Minister himself.

There is another aspect to be seen. We are faced with an emergency because of the Chinese threat and it would be wrong to presume that this threat is only a military threat. They have got a two-pronged attack. We are going to face a prolonged threat from the Chinese, and it may not be only a military threat but also an ideological threat. This is the most opportune time for us to see that we also prepare the country psychologically because the Chinese will try to exploit the situation. Military, they will try to conquer the country and also psychologically they will try to utilise every avenue they have to support the military threat. So if we allow the concentration of wealth to be in a few hands then this will be the best ground for the Chinese to create a psychological atmosphere against the Government and against the measures we have all agreed to for resisting the foreign aggression.

With regard to concentration of wealth, I would just like to give some figures as revealed by the Mahalanobis report. One per cent of country's house-holds own as much as 75 per cent of the country's privately held stocks. Of this one per cent, half is owned by 1,400 business houses.

This shows to what extent the concentration of wealth has gone. Therefore, this Super Profits Tax Bill which is being brought in by the Finance Minister will go a long way to bridge the gap between the different income levels.

Another argument is that because of the Super Profits Tax the capital formation will badly suffer. Not only that. If they want to have the ad-

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vantage of the super profits tax, why they attack the public sector in their propaganda? I do not know why this vested interest or vested class is pleading for a reduction in the super profits tax, and go to the extent of discrediting the entire public sector. They have got the press behind them. All the papers are criticising the entire public sector and they try to make out a case that if the public sector's attempt is given up or scrapped the entire private sector will come to the rescue of the nation. But in the present set-up of things, will the private sector in India be able to finance projects like Durgapur, Bhilai, or for the matter of that, Bakoro? Nobody has got finance to that extent. Even in the private sector, it is the Government finance which goes a long way to make up the deficiency. We know how much they borrow from the different Finance Corporations. After that, it is not proper to assume that the capital formation will seriously suffer.

In view of the emergency, we hear that the corporate sector is patriotic and is prepared to sacrifice all for the country. If that be so, why do they object to this tax? In England, for instance, during the last world War II, the excess profits tax went up from 60 per cent in 1941 to 95 per cent in 1943. In America, the excess profits yielded 32.7 per cent of the total taxes. But our super-profits tax hardly amounts to 8 per cent of the additional tax. So to say that the super-profits tax is completely taking away the incentive for capital formation is absolutely wrong.

From the recent amendment brought forward by the Finance Minister we find that he has given a very liberal concession to them. Of the chargeable profits, 10 per cent would be left out for making payments for loans, for formation of reserve fund and also for formation of

assets. Besides that, he has also provided for protection to the smaller industries, because non-taxable limit is raised to Rs. 50,000 or 6 per cent whichever is higher. There are other provisions also for formation of capital and to meet the immediate demands and formation of new assets. Therefore, there should have been no quarrel on this score.

Such measures are also necessary in order to curb down the excessive profits to which the private enterprises are very much prone. It may be said that the question of profits and prices is normally determined by the rule of demand and supply. But I submit nowadays the theory of demand and supply is not always at work. Very often the prices are determined not only by the rule of demand and supply, but also by various other factors.

Mr. Deputy-Speaker: His time is up; he should wind up.

Shri R. Barua: Sir, I also appeal to the corporate sector to see that the socialist approach is not a theory to be preached from the pulpit, but it is a philosophy to live in, to help the nation and to see that an atmosphere is created in the country in which the people are not left in the lurch.

BUSINESS ADVISORY COMMITTEE
SIXTEENTH REPORT

Shri Kane (Buldana): Sir, I beg to present the Sixteenth Report of the Business Advisory Committee.

18.56 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Monday, the April 22, 1963/Vaisakha 2, 1885 (Saka).