

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

"That leave be granted to introduce a Bill further to amend the Advocates Act, 1961".

*The motion was adopted.*

**Shri Bibudhendra Misra:** Sir, I introduce the Bill.

11.11 hrs.

FINANCE BILL, 1964—*Contd.*

**Mr. Speaker:** Now we take up further consideration of the following motion moved by Shri T. T. Krishnamachari on the 17th April, 1964, namely:—

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1964-65, be taken into consideration."

Shri Rajaram may continue his speech. There are 2 hours and 30 minutes left for the general discussion.

**Shri M. R. Masani:** (Rajkot): May I know whether you will be good enough to indicate when you propose to call the hon. Minister for reply?

**Mr. Speaker:** After an hour and a half from now. Will he take an hour?

**The Minister of Finance (Shri T. T. Krishnamachari):** I do not think so. I think, about 40 minutes will be adequate.

**Mr. Speaker:** That is all right, then; I will call him at 2 o'clock.

**Shri M. R. Masani:** I hope, Sir, you will not extend the time eating into the time for clause-by-clause consideration.

**Mr. Speaker:** I must also make it clear that at 5 o'clock on the 21st April we must pass the Finance Bill.

**Shri M. R. Masani:** I would request that you do not extend the time.

**Mr. Speaker:** Then I propose to call him at 1-30.

**Shri Surendranath Dwivedy** (Kendrapara): It is a matter of 10 minutes only.

11.10 hrs.

APPROPRIATION (NO. 2) BILL, 1964

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

"That the Bill to authorise payment and appropriation of certain sums from and out of the Consolidated Fund of India for the services of the financial year 1964-65 be taken into consideration."

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

"That the Bill to authorise payment and appropriation of certain sums from and out of the Consolidated Fund of India for the services of the financial year 1964-65 be taken into consideration."

*The motion was adopted.*

**Mr. Speaker:** Now we take up clause-by-clause consideration of the Bill. The question is:

"That clauses 1, 2, 3 the Schedule, the Enacting Formula and the Title stand part of the Bill."

*The motion was adopted.*

*Clauses 1, 2, 3, the Schedule, the Enacting Formula and the Title were added to the Bill.*

**Shri T. T. Krishnamachari:** Sir, I move:

"That the Bill be passed".

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

"That the Bill be passed."

*The motion was adopted.*

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\*Moved with the recommendation of the President.

**Mr. Speaker:** It is 11:15 now; we have 2 hours and 30 minutes left. He wants 40 minutes; so, at 1-45 I will call him. That will be all right, I suppose. We have to pass the Finance Bill at 5 o'clock on the 21st April; therefore, we must complete 12½ hours today. **Shri Rajaram.**

**Shri Rajaram (Krishnagiri):** Mr. Speaker, Sir, yesterday I said something about the neglected South. Then, **Shri Raghunath Singh**, the Congress Parliamentary Party Secretary....

**Mr. Speaker:** I am sorry. I was considering the Question Hour. He must be called at 1 o'clock.

**An Hon. Member:** At 12-45.

**Mr. Speaker:** Hon. Members would be very brief, not more than 10 minutes each.

**Shri Ranga (Chittoor):** He must be given a little more time. There is only one Member from his group, the DMK.

**Mr. Speaker:** All right.

**Shri Rajaram:** Yesterday I said something about the neglected South and **Shri Raghunath Singh**, the Secretary of the Congress Parliamentary Party asked me, "Why are you talking of the north and the south here?" It is not our slogan alone. In this connection I would draw your attention to the speech delivered by **Shri Nijalingappa**, the Chief Minister of Mysore, day before yesterday at a function in Bangalore. While making the allegation "the South not well served" he said—

"Centre was not granting licences to more sugar factories in the South expeditiously."

**Shri Basappa (Tiptur):** He should not bring in the name of the Chief Minister here.

**Shri Rajaram:** Why not? It has been published. Let the hon. Member go through it.

**Mr. Speaker:** Order, order. He should address the Chair. He should not have a direct fight.

**Shri Rajaram:** He continued:—

"South India should receive greater attention and encouragement in sugar production for which there was plenty of scope."

The capital Delhi, is far away; it is but natural that affection is towards the nearer areas. The real rulers of this country had constructed three big projects in their respective places. So, I am requesting the Finance Minister to bring some good projects to the South.

With your permission, Sir, I want to quote what was published in the *Eastern Economist* of January 21, 1964 about record and statistics of foreign collaboration:—

"The list of the foreign collaboration agreements entered into by Indian firms during the October-December quarter for 1963 released recently shows that of the 74 agreements, 16 were with British firms, 12 with American firms, 11 with West German firms, eight with Japanese firms, seven with French firms, three each with Italian and Swiss firms, two each with Belgian, Dutch, Yugoslav, Czechoslovak, Polish and East German firms and one each with Danish and East African firms. There is a wide variety of items taken up for manufacture which include power cables, automobile ancillaries, refractories, hand tools, heavy structurals, pipes of various types, cement making machinery, etc."

Out of these 74 licences, only five have been given to my State, namely the State of Madras, and only 10 have been allotted to the whole of the South including Madras. At the same time, 12 licences have been given to Delhi alone, and 15 licences have been allotted to Calcutta alone, and 25 licences have been allotted to Bombay alone. I want to ask why this kind of regional disparity has been perpetrated by this Government? The Britishers

[Shri Rajaram]

gave us education and made us as fine clerks. Do this Government also want to beat us into the same *status quo*? Is this not step-motherly treatment? Do you not feel so? I do not know what has actually happened during the last fifteen years, when the licences allotted during one quarter of the year have been allotted in this manner. For the past fifteen years, we South Indians have been feeling that the south has been neglected. This is not my view alone, but these are the views of so many Chief Ministers, and ex-Chief Ministers of our State, and it is those views which I am putting forward before the House.

Now, I want to draw the attention of the House to the recent examinations conducted by the UPSC, as a result of which the UPSC have selected 135 people for the IAS and IPS cadres. Out of these 135 candidates, only five have been selected from Madras, and only 20 have been selected from all over the south. This has been proved by a Congress leading Tamil daily called *The Dinamani*, and so it is not my own version. Even when this examination had been conducted in English, this has been the result. Hereafter, our Home Minister has given the option to the students to write in these examinations either in English or in Hindi. I do not know what the fate of the South will be hereafter, when even now we have got only a very little share, and only 5 people have been selected from Madras and only ten people have been selected from the whole of the South from where Shri T. T. Krishnamachari, Shri C. Rajagopalachari, Dr. Radhakrishnan and so many other eminent men have hailed. In spite of this, the UPSC examiners have allotted only five places to the Madras State. I would request the hon. Finance Minister to probe into the UPSC examination.

We people from the South had thought till now that the term 'UPSC'

meant Union Public Service Commission. But now I come to understand that the term 'UPSC' means not Union Public Service Commission but it means Uttar Pradesh Service Commission.

**Mr. Speaker:** Order, order. That is objectionable. The hon. Member should not have said those words. It is an independent body under the Constitution. Such remarks should not be made against such a commission in which we have reposed all the confidence that we have got. The hon. Member has been very unfair. He should withdraw those remarks. (*Interruptions*).

**Shri Rajaram:** If it is objectionable, I withdraw it.

**Mr. Speaker:** The hon. Member has objected to the examination also. We cannot go into that matter here and make reflections against the Commission saying that it has not been fair to the students who had appeared in the examination etc. We cannot go into those things here.

**Shri Rajaram:** If it is objectionable, I withdraw it.

In conclusion, I would like to say a few words about the medical college which is going to be started in the Chingleput district in the name of a very big Congress leader, Shri Muthuramalinga Mudaliar. Leading citizens of Chingleput, the Chief Minister of our State, Shri M. Bhaktavatsalam, and Shri Alagesan, the Minister of State in the Ministry of Petroleum and Chemicals, are also interested in that college. They applied for it. They also advertised in the papers. So many people applied for seats. But unexpectedly, because of the red-tapism of the Health Ministry, it has been stopped. I thought till now that only the south had been neglected, but I now come to understand that even our Chief Minister and the Minister from the south here

Shri Alagesan, are also neglected by the Health Ministry.

You know that at a time of emergency like this we need more doctors. In rural areas, there are no doctors at all. Of course, they wanted to start this college under private management. They are ready to invest money. There is a big hospital at Chingleput. There is also a leprosy sanatorium there. So I request the hon. Health Minister to accord permission to this college and thus bring more medical educational facilities available to the South.

**Shri Shankaraiya (Mysore):** Mr. Speaker, Sir, the Budget demands have already been voted.

Taking into consideration the trends in the country we have a very disheartening picture. On the one hand prices of foodstuffs are rising; on the other, the prices of industrial commodities are also soaring. The national income has not been growing as rapidly as we were expecting it to in spite of heavy investments. I think the problems are not being tackled seriously. One reason given for not tackling all these problems expeditiously is the lack of finance.

If we analyse the whole thing and see the effect of the fiscal policy followed, it gives rise to very serious misgivings. In spite of heavy taxation both by the Centre and the States, the common man has not been getting his due. Prices are on the increase. The standard of living is very low. The common man feels dejected. Finances have been muzzled. If we analyse and see who has been making use of these finances and resources available in the country, it will be revealing. In order to inculcate the habit of savings among people, we have launched the savings programme. There are other inducements also. The deposits in the country now are four times what they were in 1950. The present level of

deposits in banks is of the order of Rs. 2000 crores and odd. It should be the policy of Government to see that these vast resources are used in the best interests of the country. But as it is, they are made use of for a particular section of people. The bulk of these deposits is being utilised by those who are the vested interests, who are already rich and who command capital and resources. Out of these Rs. 2000 crores even the State Bank has got only 1/4th. The other scheduled banks have got less than 1/4th. But the five major banks in the country monopolise the whole thing; they have got 50 per cent or even more. These banks are being controlled by big industrial families. On the one side, they have cornered all industries by interlocking of capital and by giving loans to small industries also. On the other, they have control of the newspapers through which they carry on their propaganda against Government and its policies. At the same time, they go on continuously agitating that they have not been given a proper deal, they have been fleeced and the burden of taxation has been very much high and so on.

Out of this 50 per cent of the deposits available with these five banks, what is the amount that Government tried to divert for removal of rural indebtedness and development of the rural parts? It is very negligible.

The report of the Reserve Bank has indicated that a phenomenal amount would be required to remove rural indebtedness and to help the rural sector. Hence this is a problem that has to be tackled by Government.

It is only the State Bank that has been advancing some money for rural development. But in the case of these big five banks, if we take the proportion of finances made available by them for rural development, food production etc., we find that it is very meagre, that it has actually gone down.

[Shri Shankaraiya]

For the equitable development of the country as a whole, the development of small scale industries is necessary. How far have they been financed by these big banks? That is also on the decline. It is only the State Bank and the Small Industries Corporation that have been doing it.

Originally, these banks used to finance business people and commercial undertakings, but now, if we look into the figures of the Reserve Bank bulletins, we find that is also on the decline. Business people are complaining that they are not getting the necessary credits.

So, what is being done with this huge amount by these banks? It is being utilised by the big concerns that are managing and controlling these banks, instead of being utilised for the good of the country, for the welfare of the whole country and its development. Large amounts of loans are advanced to the directors of these companies and their friends, and the small industries are deprived of finance.

11.28 hrs.

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

The small industrial units are suffering for lack of finance. Government have tried to establish Finance Corporations, the LIC is also giving certain loans, and also investing money in the shares of certain companies, but these are also being indirectly made use of by these big banks and those who control them.

Thus, whatever resources are available in the country are made use of by these big concerns, and neither the rural areas nor the small industries derive any benefit from them.

The entire difficulty is in the policy pursued by the Government of India. They must see that these resources are equitably utilised for the development of the country as a whole. It does not serve the purpose if only

a few big, influential people are benefited by it.

These big financiers and big industrialists are very influential, and they will be able to make even the Government change their policies to suit them, because they control big newspapers, which finance small papers also, and thereby the whole press is in their hands. They carry on vigorous propaganda and spend a large amount of money on it. I will not be wrong if I say that the amounts spent by our Government to counteract the war propaganda of China is nothing before the amount spent by these industrialists and capitalists in trying to criticise the Government. It is colossal. There is another aspect of the matter also. By making use of the resources available in this country they are making huge profits. When the Government wants to insist upon enforcing the maintenance of the cost accounts there is a lot of protest. They are having a large amount of profit and the Government is not able to control the prices of articles produced. The black money is there; they have not been able to lay hands on them. They are carrying on these things. In spite of the Gift Tax, Expenditure Tax, Estate duty and all the stringent things like that, they have not been able to control things. The situation is serious. They have to tackle the problem seriously and see that the resources that are available are made use of in the best interests of the country and not for selfish purposes.

**Shri Nath Pai** (Rajapur): Mr. Deputy-Speaker, while concluding his speech yesterday, the Finance Minister remarked that the policies which he is pursuing follow from the accepted philosophy of the Congress Party. . . . (Interruptions.) I do not know if I misunderstood him.

**Shri T. T. Krishnamachari**: Congress Party.

**Shri Nath Pai:** Yes, Congress Party. How can you accept my philosophy? I wish it was shown to the country and this House at large that steady progress was being made towards what the Congress has come to call socialist pattern of society. But if one knows that he was suffering from his own party colleagues, one got an impression that his assertion in the faith of Congress philosophy was more in answer to them than by way of an assurance to the country that the minimum needs of the country are being attended to. I shall, because of the shortage of time at my disposal, confine my remarks to some very salient features. He said that the whole progress, step by step, was to those goals. I would like to draw your attention to a recent report prepared by the Gokhale Institute of Economics and which has appeared in the November issue of the *Economic Review* published by the AICC. At page 29, let us see how far we are progressing towards that goal. We are told that every Budget is one such towards that goal.

“Defined in this way it was found that as many as 1118 families out of a total of 1203 families that is 92 per cent of the families were below poverty line.”

Over 7 per cent of the families enjoyed standard of living higher than the necessary minimum. Poverty was just quite a common phenomenon in this city and elsewhere in the country. This is a report which appeared, may I reiterate and repeat in the Congress *Economic Review*, but finally it gives something which should make the Finance Minister pause a little and see whether in spite of all the efforts that are being made we are making even marginal progress towards the goal of socialism. If of course we understand by the ‘goal’ fair shares for all, lessening of the burdens of those who are finding the burdens crushing, if not immediate increment or enhancement of their living standard. Apply

any criteria and let us see what conclusion we get. The extent of poverty at the lower levels obtaining in an urban community like Sholapur is really deplorable. It is interesting to note that the pre-war conditions were relatively less severe than even in 1954-55. The Gokhale Institute of Politics and Economics had carried out an economic survey of Sholapur city in 1938-39, and according to their data, the proportions of families below poverty line and destitution line were 83.9 per cent and 32.7 per cent respectively. These are the percentages in 1938-39, long before the dawn of Independence, long before this country was taken on the path of planned economy and the goal of socialism.

How do these relative figures of those who live below the poverty line and the destitution line compare? From 82, the poverty line has marched to 92, and the destitution line has gone up from 32 to 52. This is what this scholar then says. He does not pretend any political philosophy. He does not belong to any party; he is just an objective student of economics. This clearly indicates that the economic conditions of the families in Sholapur and elsewhere in the country, in terms of the standard of living, deteriorated to a marked extent between 1938 and 1954-55.

**Shri T. T. Krishnamachari:** May I know whether the hon. Member went to Sholapur?

**Shri Nath Pai:** He will ask me, if I quote an economist like Pigou, “has he gone and studied under Pigou?” Of course not. But these figures are unimpeachable. (*Interruption*).

**Shri T. T. Krishnamachari:** I merely asked for information.

**Shri Nath Pai:** Are you suggesting that the conditions today are so good to reach the goal of socialism?

**Shri T. T. Krishnamachari:** I am merely asking for information. Nothing else.

**Shri Nath Pai:** I have not gone, but I do not see the relevance.

**Shri T. T. Krishnamachari:** I have gone.

**Shri Nath Pai:** But I think you respect what appears in the *Economic Review* published by the highest body, the Congress.

**Shri T. T. Krishnamachari:** Articles in the *Economic Review* of the Congress Party do not always represent the Congress policy.

**Shri Nath Pai:** But they represent the facts of life in the country. I quite agree with you that they do not represent your views, but they represent the facts as prevail in the country. I expect better encounters from one who is normally called the most intelligent member of Pandit Nehru's team.

Now, having said that, I welcome one feature only provided it is honestly maintained. He has shown courage in announcing the constitution of the Monopoly Commission. I hope there were representatives of labour in it and somebody who was not strictly tied up to the apron-strings of officialdom. I have regard for some of the members who are going to be there, but I think it would have inspired greater confidence in the public as a whole if the Finance Minister had gone a step further and seen to it that members representing labour which, I think, is a great builder, has a great part in the common ideal of socialism in this country, and also some well-known students of economics were there. I know that he will immediately reply that there is one who was an able official in the Ministry and who has now taken to the green pastures of the economic world. The Commission perhaps would be in

a better position to reach the conclusions which you expect it will, if the composition were slightly different than one purely of officials.

Mr. Deputy-Speaker, I do not know what is he is going to tell us now. During the review by this House of the third Five Year Plan, it was pointed out that if this is the condition regarding equality of shares—I do not say anything more today about the equality of income—and better distribution of income and wealth in the country, what about the other objective of our planning making a significant dent on the volume of unemployment in the country. May I point out to him that the figure given in the perspective plan paper prepared by the Planning Ministry is something alarming. We are increasing the number of unemployed in this country by 13,000 every day. Now, this is not a matter about which this country can be self-complacent. If the present estimates are correct, if the population continues to grow at the rate at which it is growing, and the availability of jobs continues to be limping forward at snail's pace I am afraid that apart from this daily increase of 13,000—it is something very serious, something most disturbing and alarming—this growing volume of educated unemployment means placing a dynamite under the edifice of our democracy. All these constitutional niceties in which we indulge will become meaningless, purposeless, will not be any longer valid if the volume of unemployment, which is the most potential dynamite in the country, goes on increasing at the rate at which it is growing. The estimated volume of unemployment may be anything between 50 million and 52 million by 1975-76. I do not know what he is going to tell us about that. So far what has been given is that they are trying to provide new jobs. Yes, they are providing jobs, but what is the relation of the jobs to the new hands which are clamouring for jobs and work? That is one thing.

I would now like to take a few minutes about what is happening on the agricultural field. Time and again it has been said that we will not be able to make a significant break through the present stagnation of our economy unless new stimuli are provided to the agricultural sector. What proper stimuli are given, what agricultural production can be expected to achieve has been shown in a brilliant article by George Varghese which appeared two or three days back in the *Times of India*. In a certain sector, in a certain small area in Maharashtra in Satara and Kolhapur he finds how co-operative effort is transforming, almost bringing a new miracle. But what is it that has been done there. It is very significant. It is the provision of new credit, easy availability of fertilisers and seeing to it that such instruments and raw materials as they need are provided. Then what happens? May I read for his information, in case because of his multifarious duties he has not read it, what has been said here? I will link it up with the relationship of our general failure in the agricultural field. Professor Raj in a recent article, in a very thought-provoking article in the *Mainstream* had this to say about our agriculture:

"There is reason to believe that productivity per acre in the agricultural sector is not any the higher now than it was three decades ago, and the increase reflected in the estimated growth of agricultural production since 1949 is a statistical rather than a real phenomenon. Increase in agricultural production since independence has been almost wholly on account of extension of cultivated area and increase in productivity per acre has been confined mainly to a small number of commercial crops only."

Now, if this is the present status of our agricultural production, what are the possibilities if proper measures were taken. Here is what he has to

say about it:

"The 30 oil mills, some of which are already in production, will have a combined turnover of Rs. 1.75 crores of oil and Rs. 50 lakhs worth of oilcakes per annum. The oilcake will be further processed in the central solvent extraction plant to yield Rs. 55 lakhs worth of deoilcake and Rs. 20 lakhs of oil."

Then he says—here the Finance Minister should pause and think what are the potentialities if proper stimuli and easy credit are made available to the enterprising type of our peasants and farmers:

"The total capital investment involved is no more than Rs. 30 lakhs for the oil mills and Rs. 21 lakhs for the solvent extraction plant or a total of Rs. 51 lakhs. As against this, the total annual outturn will be as much as Rs. 3 crores, thus giving a capital output ratio of 1:6."

Then he goes on to say something. I have said of the necessity of providing fertilisers. What is happening here is, he says this is the worry of the farmers who have produced such miracles. What is the worry? He says:

"These sponsors are, however, gravely concerned about prices."

He says here is a miracle of agricultural production taking place, a new light coming to these districts where the Government has done very little, by the enterprise of the farmers and peasants in Satara, Sangli and that small area. But what is that worry? Can the Government of India do something? He says:

"The sponsors are, however, gravely concerned about prices. Unlike sugarcane, the prices of which are controlled, the price of groundnut and other oilseeds is left to be determined by erratic market forces which results in wide fluctuations."

[Shri Nath Pai]

He made a reference to our share market, and it has an undesirable effect. Here is what is happening in practice. Then he says:

"Unless minimum prices are assured through an official price support policy, the Groundnut Producers' Co-operative Society and its 30 affiliates may find it impossible to win the loyalty and ensure the well-being of their 40,000 producer-members."

A rational price support policy is absolutely necessary not only for the success of the Sangli experiment but in order to guarantee the progress of Indian agriculture as a whole."

I do not see any step or measure suggested by the Finance Minister in all that he has been doing. I think, heroically ever since he assumed the new portfolio, either to bring in stabilisation of prices as a whole or to provide price support to agricultural production. Unless he does something on both these levels, I think,—I do not like the gloomy future predicted for him and this country by Shri Masani—but I think we will be facing increasing difficulties both in the agricultural field and in the industrial field.

There is this talk of providing incentive to industry. I accept that since even Mr. Khrushchev, the high priest of socialism in the world, has accepted the necessity of providing incentives to increase production. There is nothing wrong in providing incentives.

**Shri T. T. Krishnamachari:** Material incentives.

**Shri Nath Pai:** Yes, material incentives. But normally we indulge in a large talk of spiritual to the worker. Where are the incentives to the worker in this country, may I ask? Everything is being said and I am expect-

ing, looking forward to some speeches from the other side of the House where they will be elaborating the necessity of providing incentives to the corporate sector of the country, but not a word is being said and nothing is being done by the Government to provide incentives to the major factor in production, namely, the worker.

What is happening about his earning? I think, the Finance Minister, Shri T. T. Krishnamachari, will not disagree with me when I say that there is a small fall in the real earnings of the workers during the past five years. The fall is very small, but what we had expected was that if we cannot get a share in the increased productivity, in the increased national income of the country, at least, the basic factor in the country's life, the main builder of the temple of socialism, the worker, the labourer, the proletariat would not be deprived of what he was getting a few years earlier. That was what was precisely happening. It is happening because the Government has completely and miserably failed in stabilising prices. A lot can be said about this failure, but once again I would be saying about the necessity of seeing that agriculture is given that attention which it needed to be given.

What is happening? Did we succeed during the current Plan period in boosting up agricultural production by the stipulated 8 to 10 million tons? There would have been an agricultural income of another Rs. 500 to Rs. 600 crores during this period. And what would have been the beneficial effect of this increase in agricultural production? There would have been a price stabilisation, a boost to industry and also conservation of our very precious and very limited foreign exchange. But why is it happening? I hope, the Finance Minister will have a look at this aspect of it. It is now no secret that fertiliser output is like-

ly to fall far below the Third Plan target. The actual output of nitrogenous fertilisers is now running at an annual rate of some 26,000 tonnes in terms of nitrogen and the installed capacity hardly totals 390,000 tonnes as against the Third Plan target of one million tonnes.

**Shri T. T. Krishnamachari:** 800,000 tonnes.

**Shri Nath Pai:** You correct my figures. I am quoting agricultural output figure as it appeared in the *Times of India* of 20th March. I will not be spending time on it because I am conscious of my limited time.

Had this aspect been given consideration, had credit been provided, I think, agricultural production.....

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

**Shri Nath Pai:** I will be taking a few minutes more for some general points.

**Mr. Deputy-Speaker:** You have got two minutes time.

**Shri Nath Pai:** I would be concluding this aspect of the necessity of some more energetic steps on the part of the Finance Minister to see that there is a well organised, a well thought out and realistic support to agricultural prices and counter-measures to bring about stabilisation of the price-line. Most of the time there will be an erosion of what we are earning. There will be no incentive to save. Why should a worker be persuaded to save today when by the taxation measures of today he cannot get anything for his immediate consumption and the future benefit also is a doubtful one because there is a depreciation of the currency and there is the continually rising spiral of prices? I am afraid, the national interest demands that some more energetic and more definite steps for price stabilisation are taken.

Last year when we raised this matter in this House, his colleague—now the Home Minister; formerly, the Planning Minister—Shri Nanda promised to this House that a committee had been constituted. I do not know how long the Committee will be taking before any result is brought before the House and before any positive steps are taken. May I crave your indulgence for another few minutes because the Finance Bill provides the last opportunity of raising a variety of other relevant issues?

I will ask the Finance Minister to think whether it is proper for us to go on pinning down all our difficulties to the paucity, to the inadequacy, to the non-availability, to the lack of foreign exchange. Will he not accept that many of our difficulties flow from the totally inadequate administrative machinery that we have? It is the noose, the strangle-hold of the red-tape which creates most of the difficulties in this country. With a better administrative machinery, it would have been possible to stimulate industrial production much further. It has now estimated in some recent survey that as much as 20 per cent of the total industrial capacity of this country is lying idle. A further survey carried in 79 engineering enterprises shows that the capacity lying idle in these enterprises was of the order of 50 per cent. Can we afford this kind of waste of national asset tied up in this industrialisation and why? It is because of administrative delays.

May I say, in conclusion, that we are having in power a Government that looks disheartened, an administration that is demoralised and a country that is disillusioned. Unless greater energy, greater determination is brought about to tackle the major problems of this country, we will be—I do not know—reaching the take-off stage or seems to be heading on to a top of a creater which is boiling with the discontent are rising discontent of our people. May I also also ask at this stage—this is

[Shri Nath Pai]

not the internal policy; I cannot refrain from asking that—whether the criticism we offer in the field of foreign policy which again is showing a certain anaemic tendency, which is only reacting and not showing any initiative, which still goes on hugging the illusion that we are the leader in the South-East Asia....

**Mr. Deputy-Speaker:** The hon. Member should conclude now.

**Shri Nath Pai:** I was very disturbed to read that Mr. Bhutto once again succeeded in persuading this time, not Anglo-Americans but the Foreign Minister of Indonesia, Dr. Subandrio in almost supporting Pakistani claim to Kashmir. That shows completely India is becoming isolated even among the non-aligned nations whose freedom struggle we started. Let us not forget at this stage that it was India which took the initiative in garnering the world opinion, in galvanising the world opinion and putting up pressure on the Dutch imperialism to bring about the dawn of Indonesian freedom. But how India has been led to complete isolation is illustrated by the fact that today we find Indonesia supporting not India but Mr. Bhutto. May I say we are not going to get any relief of showing the kind of magnanimity we showed the other day and the complete bungling over the Israeli affair? I can quite understand the Government firmly telling them, "You will not hold the reception". What kind of bungling is this? Ambassadors, M.Ps. and others go there and then they are told that the reception cannot be held. Could not that Consul have been told in time? Does it add to the India's prestige? In many countries we have Consuls and we have to carry on the diplomatic functions. We do not plead the cause of any country. I want to plead the cause of the country which has crestfallen and humiliated. These kinds of things are happening. What is the motive? It is the fear of offending somebody. We are not going to

master our difficulties. We are not going to inspire world respect for us. That applies to the Finance Minister also. I hope, in trying to tackle some of the major evils of the economy, he will show greater courage than he has brought so far to this task.

**Shrimati Sharda Mukerjee** (Ratnagiri): Mr. Deputy-Speaker, Sir, I thank you for giving me this opportunity of participating in this debate. To begin with, I would like to express my appreciation of the Finance Minister's efforts to clarify to the Members of this House, the underlying objectives of the proposed tax measures as incorporated in the Finance Bill which is under discussion today and in the Companies (Profits) Surtax Bill which will come up for discussion in a few days. From time to time, we have had explanatory material from the Finance Minister to help us dispel any lingering doubts that we may have had regarding the efficacy of these new tax proposals in eradicating the existing ills of our economy and towards obtaining our aim of providing a higher living standard for our people. I am sure that in general the Finance Minister will have the support of the House. In due course, these Bills will emerge with the approved modifications as Acts of Parliament and hence as the laws of the land. In other words, we shall once again go through the annual ritual of discussion and debate and the subsequent passage of an enactment which unfortunately in the past has been honoured more in the breach than in the observance. This is the disturbing and inescapable fact that we must face that year after year, we the representatives of the people subscribe to a form of legislation which is framed by an army of technicians but which provides adequate loopholes for circumvention and evasion. It is a serious thing that the law of the land is treated with such scant courtesy, a law, if I may submit, which can be violated with such impunity and levity. Is it perhaps

the long years of slavery which have taught us the art of observing the letter of the law, while violating the spirit of it? Thus, non-conformity with established authority is neither unusual nor such a big sin where some are concerned. In fact, it is considered by some to be a sign of smartness and cleverness. It is this insidious tendency which requires to be counteracted.

I would like to refer now to some of the recommendations of Prof. Kaldor who submitted a report to the Government of India in 1956, when he was asked to review the Indian tax system, particularly with reference to personal and business taxation. One of his main proposals was that to avoid tax evasion, there should be a broadening of the tax base. He suggested a five-pronged attack through the introduction of an annual tax on wealth, a tax on capital gains, a tax on gifts, and a personal expenditure tax, in addition to the customary income-tax. He estimated that a comprehensive range of taxes would be, to use his own phrase, 'self-checking' in character. In due course, we have adopted the pattern suggested by him. But with what result? The realisation from these taxes has hardly justified the administrative expenditure on them. I would like to quote here certain figures from the Explanatory Memorandum, 1964-65 given by the Ministry of Finance. The collection from estate duty in 1963-64 was Rs. 4.35 crores, the tax on wealth yielded Rs. 10 crores, and gift tax yielded only Rs. 1.10 crores. So, at best, these additional taxes have proved to be just notional. They bear no relation whatsoever to the general standard of affluence in the class of people who are liable to these taxes. The Audit Report on Revenue Receipts, 1964, mentions that during the three years ending 1962-63, the taxes on income other than Corporation Tax amounted to an increase of Rs. 10.76 crores. Is it not time we took stock of the situation and faced up to reality?

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How effective have the Government's policies of control and curbs been? How successful have their fiscal policies been? They have taxed more and more on less and less. A certain section of the rich has learnt the art of controlling and enjoying wealth without actually possessing it. They cannot afford the luxury of being rich, but we have provided them with the facilities of economic control. When they are alive, they pay nominal taxes. When they die, their estates are too small to attract the estate duty. This is the bane of our economy that a large amount of the economic surpluses goes underground or is frittered away in consumption while it could be better utilised for productive purposes. After seventeen years of Independence, and thirteen years of planning, we have a stagnant economy. Despite the proclamation of high objectives and admirable motives, we have not been able to realise them. Unemployment has increased, the rate of growth is miserable and the general resentment in the country over the phenomenal prosperity of some small numbers and the growing hardships of the large majority is reaching dangerous limits which the Government cannot afford to ignore any longer. Over the years, the Government has adopted a policy of greater rigidity of economic control over wider spheres of public activity. It has introduced a progressively higher rate of taxation which it has failed to implement fully. And what is the result? While we tried to work out a planned economy, we have produced a coddled over-protected economy, the benefits of which have accrued to a small minority and have failed to percolate to the common man. With industrial licences, an assured market and export incentives, we have created a seller's market in which the salutary spurts and checks of competition have been reduced to the minimum.

12.00 hrs.

Look at the automobile prices and steel prices. How do they compare

[Shrimati Sharda Mukerjee]

with world prices. What is more, the wealth produced in this small section of the community keeps circulating in that section. The surplus gets neither mopped up by taxes nor is utilised in increasing production. This extra unutilised wealth is largely responsible for rocketing prices of property, black-marketing in basic commodities like food etc. and such other things.

I feel that it is not a reduction of taxes but a reduction of protection and control that is necessary to activate our economy. And where government control is exercised, it should be exercised strictly and effectively. The Raj Committee Report on Steel brings this fact out clearly.

Protection means patronage and only the big man gets the patronage; the small man fights a losing battle against a barricade of controls and licences. He is unable to raise sufficient finances or find the markets for his products. The degree of prosperity of our country will depend essentially on the small industrialist and the agriculturist being given a chance to function.

In this connection, I am happy to see the tax concessions given by the Finance Minister to the small industrialist. And yet the hon. Member from the Opposition Benches, Shri Masani, has mentioned yesterday that it was the tax burden on the individual and the corporate sector which was responsible for the stagnation in our economy. I would like to quote here from the famous German financial wizard, Dr. Erhard, whose views Shri Masani would approve of. Dr. Erhard has said about the period of reconstruction in his country:

"To work in order to survive and at the same time, through sacrifice and minimum consumption to put enough of the proceeds of our national economic production on one side to restore Germany's competitive capacity."

So it is not reducing the tax burden but reducing the burden of controls which is necessary to activate our economy. In a period of development, it is too much to expect that a small section of the community which has financial resources either earned or inherited should be allowed to keep most of the plums, while the large majority of the people have to live on a semi-starvation income.

Now, I am only too well aware of the fact that fiscal measures in themselves are not the answer to our troubles. But such fiscal measures form a part of the overall structure of monetary and economic policies of the Government and have a direct bearing on the pattern of behaviour of the people as a whole. Fiscal policies can and do determine the general well being or deterioration of the human being. When justice is out of reach, one is often compelled to resort to methods which are an affront to human dignity and honour.

The human material in our country is as good, if not better, than in the most advanced countries. We are the products of centuries of civilisation and our basic instincts are no more selfish or acquisitive or fraudulent than those of the people in advanced countries. The fact that evasion of taxes and violation of laws have been on the increase in the past few years is not so much, one has to admit, a reflection of the character of our people as the natural result of improper and often unjust operation and implementation of controls.

Please give me a few more minutes.

**Mr. Deputy-Speaker:** I was told you would take only five minutes. You have taken ten minutes.

**Shrimati Sharda Mukerjee:** I did not say I would speak for five minutes. Otherwise, I would have just sat down.

**Shri Raghunath Singh** (Varanasi): There should be some consideration for lady Members.

**Shrimati Sharda Mukerjee:** In a democracy, the first duty of the Government is to secure the co-operation and confidence of the people. How can such co-operation be possible when the connotation of rules, far from being uniform, changes with the individual to whom they become applicable? There are innumerable cases of obvious affluence which go unchecked. What are the reasons?—by virtue of office held, by virtue of terms and conditions of employment in a big firm, by virtue of such and such justifiable source, and so on. These are some of the surface anomalies which are by far the less important aspects of our national economy.

We fully appreciate the difficulties the Finance Minister faces; they are not difficulties of his making, nor is he the sole determiner in their solution. They require a co-ordinated effort of the Government as a whole.

With the heavy responsibility of raising adequate revenues and of giving a fillip to productivity, together with contending with the established malpractices threatening our entire economy, one cannot expect miracles overnight. But what one does expect is a better and more effective administration.

**Mr. Deputy-Speaker:** The hon. Member should conclude.

**Shrimati Sharda Mukerjee:** It is not possible to speak in five minutes.

**Mr. Deputy-Speaker:** You have taken 12 minutes.

**Shrimati Sharda Mukerjee:** Just five more minutes.

Framing rules and enacting laws which are blatantly violated, which are a burden on the honest man while the crooks make merry on them, can

hardly create a salutary effect on the people as a whole.

Since you say I cannot speak, I shall try to finish.

With regard to the corporate sector, I would like to say that if there is any sector in this country which has prospered, it is the industrial sector. Therefore, it is only right that the corporate sector should bear its share of the tax burden. If the investment climate was really as unfavourable as is made out by some of the Members, would we have so many private foreign investors wanting to come to this country?

There is hardly any industry today which has not prospered in the last decade. The fact that the investment has been slack is not entirely unconnected with tax evasion, because there is a considerable amount of black money in circulation which cannot be shown, and is often invested in properties. Therefore, it cannot be channelled into industrial investment.

I have said that taxation beyond a certain degree can defeat its purpose. In fact, it can be a disincentive to saving, and it drives undeclared incomes underground. There can never be a strict enough control to check this.

In conclusion, I would like to say that apart from the collection of revenues, the three questions we have to ask ourselves in respect to the new tax proposals are: are the tax proposals such as to mobilise economic surpluses; is each person made to contribute to taxation in accordance with his unused capacity; and, is the tax burden equitable? I would willingly say yes to all these, but the biggest question is: are we creating enough economic surpluses, and have we the appropriate machinery to mobilise them? I think this is what the Government needs to concentrate on, very much more on than just the framing of the fiscal policies.

[Shrimati Sharda Mukerjee]

The last thing which I would like to mention is that every year we change the fiscal structure. I think it is time the Government had at least a three year period during which the structure of the taxes is not changed. The taxes could be increased if necessary, but the main structure should remain the same.

With these words, I support the Finance Bill.

**उपाध्यक्ष महोदय :** श्री टीकाराम पालीवाल ।

**श्री ह० च० सोय (सिंहभूम) :** उपाध्यक्ष महोदय, मुझे बता दीजिये कि आप के पास जो नाम हैं, उन में मेरा नाम है या नहीं । आखिर सदस्यों को बूलने का क्या तरीका है ?

**उपाध्यक्ष महोदय :** आप बैठिये ।

**श्री पालीवाल (हिण्डौन) :** उपाध्यक्ष महोदय, मैं बहुत आभारी हूँ कि आप ने मुझे थोड़ा समय दिया ।

जैसा कि अभी माननीय सदस्या ने कहा है, वास्तव में तो हर वर्ष यह एक रिटुअल जैसी चीज़ बन गई है, जिसमें हम समय लगते हैं, अपनी बात कहते हैं और परिणाम की आशा करते हैं । लेकिन परिणाम कुछ निकलता नहीं दिखाई देता है । प्रति वर्ष हमारा डेवेलपमेंट बजट बढ़ता है और जब वर्ष के अन्त में यह मालूम होता है कि उसमें से काफ़ी बड़ी रकम खर्च हो गई है, तो कुछ क्षेत्रों में संतोष व्यक्त किया जाता है । विपुल धनराशि खर्च करने मात्र से यह अन्दाज़ा लगाये जाने की कोशिश की जाती है कि काम खुद बढ़ा रहा है । मैं यह नहीं कहता हूँ कि कुछ काम नहीं हो रहा है । कुछ काम हो रहा है, कुछ विकास कार्य चल भी रहे हैं, लेकिन यह अविवाद रूप से कहा जा सकता है कि उस धन-राशि के खर्च के मुकाबले में परिणाम बहुत ही कम है, नगण्य है ।

उसका कारण भी गृह मंत्री ने अभी दो दिन पहले स्पष्ट रूप से बताया । उनकी स्पष्टवादिता के लिए उनको साधुवाद देना चाहिए । उन्होंने कहा कि हमारी एड-मिनिस्ट्रिटिव मशीनरी पर, शासन-तंत्र पर, जो जिम्मेदारी है, जितना कार्य-भार है, उसको वह पूरा नहीं कर पा रहा है और वह ईन्वेल टू दि टास्क सिद्ध नहीं हुआ है । हमारे बहुत से विकास-कार्यों के पूर्ण फल न देने का यही सबसे बड़ा कारण है ।

इस सम्बन्ध में डीटेलज़ में जाने के लिए न तो मेरे पास समय है और न ही मेरी रुचि है । डीटेलज़ में, विवरण में, जाने का अर्थ यह होगा कि जो कुछ पहले सदन में कहा जा चुका है, उसको फिर से दोहराया जाये । मुझसे अधिक अध्ययन करने वाले और मुझसे अधिक योग्य वक्ताओं ने जितने प्रामाणिक रूप से तथ्यों को रखा है, उससे ज्यादा अच्छी तरह मैं नहीं रख सकूंगा । इसलिए मैं विवरण में न जा कर एक मूल बात कहना चाहता हूँ और वह यह है कि अब समय आ गया है कि स्वतः संतोष की यह प्रवृत्ति और यह डीलापन और नहीं चलने देना चाहिए, क्योंकि अब और अधिक गुंजायश नहीं है डिफ़्ट करने की । **बी आर जस्ट आन दि एज आफ एप्रैसिपिस ।** अब हम ऐसी स्थिति में पहुंच गये हैं, जहां था तो हम मज़बूती से अपना रास्ता ठीक तरह से पकड़ें, वर्ना डिफ़्ट में एक-दम हमारी गिरावट है । मैं मानता हूँ कि यह देश, जो सदियों के बाद स्वतंत्र हुआ है, गिरने वाला नहीं है । मैं देश का भविष्य उज्ज्वल मानता हूँ । वह उज्ज्वल रहेगा । प्रश्न हमारे सामने केवल यह है कि हम अपने देश में प्रजातंत्रात्मक प्रणाली को रख पाते हैं या नहीं । देश के भविष्य के बारे में मुझे कोई सन्देह नहीं है । वह बहुत उज्ज्वल है । लेकिन प्रजातंत्रात्मक प्रणाली का भविष्य ज़रूर खतरे में मालूम पड़ता है, अगर हम इसी तरह से चलते रहे ।

आज हमारे राष्ट्रीय जीवन के एक क्षेत्र में नहीं, अनेकों क्षेत्रों में इस तरह का ढीलापन आ गया है कि उनमें कोई गति ही नहीं है। हमारे नये शिक्षा मंत्री महोदय ने अपना कार्य-भार संभालने के बाद जब शिक्षा की प्रगति को देखा, तो उनको कुछ कदम उठाना जरूरी मालूम हुआ और कुछ कदम उन्होंने उठाये। उनको यह भी मालूम हुआ—और उन्होंने सही दिशा में सोचा—कि यह बड़े खेद की बात है कि १७ साल की स्वतन्त्रता के बाद भी, इतनी योजनाओं के बाद भी, आज तक राष्ट्रीय एकीकरण के लिये, राष्ट्र को आगे बढ़ाने के लिए, देश भर में शिक्षा की कोई एक प्रणाली सम्यक रूप से, को-ऑर्डिनेटेड रूप से, देश के सामने नहीं आ सकी, जिससे देश की राष्ट्रीयता को, देश की एकता को, देश के जन-जीवन को, एक खास गति दी जा सके। जो कार्य सबसे पहले होना चाहिए था, जो कि हमारी मैट्रियल प्रोग्रेस और मैट्रियल प्लानिंग से भी आशयक था, वह नहीं हो पाया है। इसलिए शिक्षा मंत्री महोदय को यह जरूरी लगा कि शिक्षा एक्सक्लूसिवली स्टेट सबजेक्ट न रहे, वह कम से कम कान्क्रेट लिस्ट में आ जाना चाहिए। एक प्रश्न के उत्तर में उन्होंने बताया कि बहुत सी स्टेट्स इस बारे में राजी नहीं हो रही हैं और इसलिए हम कई दफा चुप बैठ जाते हैं।

इसी तरह से हमारे जितने और विकास-कार्य हैं, हमको वे अधिकतर स्टेट्स के द्वारा, राज्यों की सरकारों के द्वारा चलाने पड़ते हैं और राज्यों की सरकारों के जैसे हाल हैं, हमको मालूम है। मैं एक राज्य सरकार के बारे में नहीं कह रहा हूँ, लेकिन . . . . .

**उपाध्यक्ष महोदय :** माननीय सदस्य अपना भाषण समाप्त करने का प्रयत्न करें।

**श्री पालीवाल :** मुझे बड़ा अफसोस है। मुझे कम से कम पांच मिनट तो और दीजिये।

**उपाध्यक्ष महोदय :** नहीं।

**श्री पालीवाल :** उपाध्यक्ष महोदय, फिर यहां रहना तो बिल्कुल बेकार सा हो जाता है, क्योंकि न तो बजट के जनरल डिस्कशन में, न प्रिजिडेंट के एड्रेस के समय और न डिमांड्स में कोई टाइम मुझे मिला है। इससे बड़ा मुश्किल हो जाता है। इसके मानी ये हैं कि . . . . .

**Mr. Deputy-Speaker:** Please wind up your speech. The Finance Minister will have to reply at about 1 O' clock.

**श्री पालीवाल :** मैं खत्म कर देता हूँ।

**Mr. Deputy-Speaker:** The Speaker has told me that only 10 minutes should be given to each Member.

**Shri Paliwal:** That is all right. I had some very important things to say.

**Mr. Deputy-Speaker:** That is true but there is no time. Shri Banerjee.

**Shri S. M. Banerjee (Kanpur):** Mr. Deputy-Speaker, Sir, this morning I mentioned about the tax concessions which were announced by the *Economic Times* on the 17th April, 1964 in its morning edition. In my opinion, these concessions were announced in Bombay on 16th April, 1964. I am extremely happy that the hon. Finance Minister told me that most of the items which have appeared in this newspaper pertain to the amendments already moved by him. I was comparing the amendments with the *Economic Times* which came out with this news item. I would only request the hon. Finance Minister to kindly consider how those amendments which were issued here and circulated on the 16th went to the press on the 16th itself. I am sure the hon. Finance Minister will kindly go through it and

[Shri S. M. Banerjee]

see whether anything which was not contained in the amendment has also appeared in this particular paper, *Economic Times*.

The second point which I would like to make is the Monopoly Commission. There is a mixed feeling in the country about the Monopoly Commission. Some of us on this side think that there was no question of the Monopoly Commission. After the submission of the Vivian Bose Commission's report, after the revelations made in the report of the Income-tax Investigation Commission headed by the eminent lawyer, Shri Viswanath Shastri, and after having received so many reports especially the report of the Mahalanobis Committee which, according to the Government has not yet been finalised and signed whereas unsigned copies are available in abundance in the country and extracts from it were read out by my hon. friend, Shrimati Renu Chakravartty, I wonder whether another Commission was necessary. It may be necessary according to the hon. Minister, but what I am afraid of is that the Mahalanobis Committee may be referred back to this Monopoly Commission.

Who are the personnel of this Commission. I have nothing against it. I welcome the appointment of this Commission and I have the greatest regard for the personnel. But I cannot understand why an eminent economist like Professor R. K. Hazari, who made an honest survey of the various business houses, who said something about the complex chain of the Birla Group, has not been included. When the Planning Commission entrusted him with the job of having a survey made of the various groups, he should have been included as a member of the Commission. Then, men like Dr. Nigam of Company Law, an eminent man of unquestionable integrity, should have been included in this. We also wanted some public representatives like Members of Parliament to be associated with this

Commission. I only request the hon. Finance Minister kindly to see that the political parties and all others who wish to represent this particular item before the Commission with the help of their counsels or with the help of Chartered Accountants, are given an opportunity to place their points before the Commission. This Commission must hold open sessions so that the people will know what is happening in the country and whether there is any monopoly or not. I hope the hon. Finance Minister will kindly consider this aspect of the matter.

Then I come to my second point. We were talking about the public sector projects in this country. Much has been said about Bhopal. I want to give this sad news to this House, that three representatives of the Heavy Electrical Servants Trade Union, called HESTU, who were called by me to this city of Delhi for negotiation and for issuing a statement that every employee should join his duty after the lock-out has been lifted, have been arrested yesterday just outside the Parliament gates. Is this how labour relations are to continue in the public sector projects. These employees agreed with me yesterday. They were going to give a Press conference today and issue a statement from here that every employee should join duties and increase production waiting patiently for the decision of the hon. Minister, Shri Subramaniam. What happened was, after we discussed this matter with the Minister when they went outside the precincts of the Parliament House all these three persons—Shri Tripathi, Shri Khan and Shri Aggarwal—were arrested. Is this how these public sector projects are to run? Is it an example of our industrial relations? Is it not a sad commentary on our democracy and the democratic function of trade unions in this country? My head hangs with shame when I talk of public sector projects and their sad plight. They are in the hands of a group of pensioners who have nothing to do, who

have no initiative. They are running these projects today. I would request, through you, Sir, the Home Minister and the Finance Minister and other members of the Cabinet to do the needful in the matter. These boys who came here for negotiations and settlement have been arrested. My hon. friend, Shri Pandey knows it, Shri Sethi knows it and Shri Subramaniam knows it. But nothing has been done in this connection.

I now come to the third point. Much has been said about the tax concessions which have been given by the hon. Minister. I would only request him that he should consider whether the relief which he has given is something worth appreciation or which can be appreciated. This tax relief to the middle class family does not mean anything. I would only request him to see that the ceiling is raised further. I would plead with him to accept the amendments moved by my hon. friend, Shri Kashi Ram Gupta.

One last point I want to touch and then I have done. Yesterday the hon. Minister made a statement and he said that I made some insinuations, that I said something about Messrs. Sundaram and Company saying that the hon. Minister was interested in it etc., in my speech of 1st April, 1964. I never questioned the integrity of the hon. Minister.

**Mr. Deputy-Speaker:** That point has been cleared yesterday.

**Shri S. M. Banerjee:** I never got a chance to give my personal explanation.

**Mr. Deputy-Speaker:** He got up and spoke yesterday. I would request the hon. Member to drop it there.

**Shri S. M. Banerjee:** It was on the 1st of April that I made the speech. Yesterday the statement was made by the hon. Minister. A feeling has gone outside.....

**Mr. Deputy-Speaker:** He got up and explained his position yesterday.

**Shri S. M. Banerjee:** I did not explain my position. I would request you, Sir, to give me two minutes.

The hon. Minister said yesterday:

"Hence it was put up to me with a note from the Department of Economic Affairs, recommending the proposal sent to it by the Ministry of Industry. When the file came to me on 24-12-1963, I had noted, *inter alia*:

"But I feel I should not take any decision on this file because the Indian participants of Singers happen to belong to a family with which I have close ties of friendship."

**Mr. Deputy-Speaker:** It is a matter on record. Why should he read it again?

**Shri S. M. Banerjee:** I want to dwell on this point. How am I going to convince the House without reading it? He continued to say:

"I would therefore, suggest to Secretary EAD (Economic Affairs Department) to refer this matter to the Prime Minister and request him to refer this file to some other Minister for orders."

In his statement he said that neither he nor Shri Bhoothalingam were responsible for it. Then he says:

"I had no further knowledge of what happened to this matter. When I saw the allegations made by the hon. Member I called for the file and I found that the Department of Economic Affairs had put up a note for the Prime Minister and passed it to the Cabinet Secretary on 30-12-1963."

Shri Bhoothalingam was Secretary at that time of that particular department.

**Shri T. T. Krishnamachari:** I am sorry to tell the hon. Member that Shri Bhoothalingam is not the Secretary for Economic Affairs.

**Shri S. M. Banerjee:** At that time he was.

**Shri T. T. Krishnamachari:** He was not Secretary at all of the Economic Affairs Department. Shri L. K. Jha was the Secretary and not Shri Bhoothalingam. He was not Secretary at any time for Economic Affairs.

**Shri S. M. Banerjee:** For Defence Co-ordination?

**Shri T. T. Krishnamachari:** He has nothing whatever to do with that file in the Finance Ministry. The hon. Member may take my word for it.

**Shri S. M. Banerjee:** It is true. I take your word for it. I only want to put one question straightaway. Why was this particular case referred to the Prime Minister. The Prime Minister of this country, unfortunately, has become the Shiva or Nilkant to swallow all the *garal* of the Ministers, of what they do. Why should he do that? This deal, in my opinion, is a shady deal, though the hon. Minister had no direct hand in it. It may be true. How can I mention that anybody had a direct hand in it, when the Chagla Commission was unable to say who was responsible for the Mundhra Deal. I have the greatest regard for the Finance Minister who, according to me and the information in the country is a socialist right from his age of 20. I would only request him to clarify this matter. Let there be an open enquiry into this question. In my opinion, the deal is still shady and I maintain it.

**श्री लक्ष्मी दास (परयालगुडा):**  
उपाध्यक्ष महोदय, आज आजादी मिलने के बाद हम १८वें बजट पर गौर कर रहे हैं। हमारा यह फर्ज हो जाता है कि हम देखें कि

इन पिछले १८ वर्षों में हमारी कौमी दीलत कितनी बढ़ी है, गरीबी कितनी दूर हुई है, महात्मा गांधी ने जो पांच प्रिंसिपल बताये थे जिनमें से एक यह था कि अछूतों का भी उद्धार किया जाए और उनकी इकोनामिक हालत सुधारी जाए, वह कहाँ तक हम सुधार पाये हैं। हमें देखना है कि बजट में इन लक्ष्यों को प्राप्त करने की कोशिश की गई है या नहीं की गई है।

हम देखते हैं कि कौमी दीलत हमारी ४६ परसेंट बढ़ी है। लेकिन कौमी दीलत बढ़ने से गरीबी में कोई कमी हुई है या नहीं, इसको अगर देखा जाए तो साफ पता चलता है कि पर-कैपिटल इनकम जिस हद तक और जितनी बढ़नी चाहिए थी नहीं बढ़ी है। इससे साफ जाहिर होता है कि हमारी मरकजी सरकार मॉनोपॉलिस्ट्स, कपिटलिस्ट्स वगैरह की जो लूट खसोट है, जो मुनाफाखोरी है, उसकी रोकथाम करने में फेल हुई है। अगर हम पर-कैपिटल इनकम की बात देखें तो सन् १९५०-५१ में अगर वह १०० थी तो अब ११७ हो गई है यानी १७ प्रतिशत बढ़ गई है जब कि हम यह देखते हैं कि अगर उस वक्त मजदूर को ३ आ० मिलते थे तो अब उसको ६ आ० से ज्यादा नहीं मिल रहे हैं। इसका मतलब यह है कि जो हमारा विधान है, जो हमारा सिस्टम है उसमें जरूर एक किस्म की खराबी है। एक तरफ हम देखते हैं कि गरीबी दूर नहीं हुई है दूसरी तरफ हालत यह है कि बेरोजगारी भी दूर नहीं हुई है। हाँ, यह सही है कि इन दस सालों के अर्से में थोड़ा बहुत एम्प्लायमेंट लोगों को मिला है। सन १९५०-५१ में अगर १३ लाख लोगों को रोजगार मिला था तो सन् १९६०-६१ में २३ लाख लोगों को मिला है। इस लिहाज से सिर्फ १० लाख लोगों को दस सालों के अन्दर हमने रोजगार दिया है। दूसरी तरफ अगर हम यह देखते हैं कि बेरोजगारी कितनी बढ़ी है तो पाते हैं कि दस साल पहले जब रजिस्टर-

शुदा बेरोजगार ३ लाख थे तो अब २३ लाख हो गये हैं। इस तरीके से हमारी बेरोजगारी बढ़ती चली जा रही है और वह इतनी तेजी से बढ़ रही है कि हकूमत उसको रोकने में और लोगों को रोजी देने में नाकाम हुई है। देश में हमारी खुशहाली नहीं बढ़ी है, बद्दहाली बढ़ती जा रही है। हालांकि यह सही है कि चन्द फैक्टरीज खुली हैं, इंडस्ट्रीज बढ़ी हैं लेकिन जिस तरह से इंडस्ट्रीज बढ़ी हैं उसके मुकाबले में जो जराती पैदावार है, एग्रिकल्चरल प्रोडक्शन है वह बहुत ही कम मिकदार में बढ़ा है। यह क्यों हुआ है इसको सोचने की जरूरत है। हम देखते हैं कि अगर सन् १९५०-५१ में पैदावार खेती की १०० थी तो अब १७२ हो गई है। लेकिन इंडस्ट्रीज अगर उस वक्त १०० थीं तो अब वह २५० हैं। थोड़ी बहुत पैदावार बढ़ी जरूर है लेकिन क्या उससे गिरानी में कोई कमी हुई है। गिरानी अगर सन् १९५०-५१ में १०० थी तो सन् १९६१ में वह १६७ तक बढ़ गई है। माल पैदा होता है लेकिन महंगाई कम नहीं होती। माल की निकासी इसलिये कम होती जाती है कि पैदावार में जो थोड़ी बहुत बढ़त होती है उसको आप लोग खरीदने के काबिल नहीं रहते हैं, उनकी कुव्वते खरीदी घट गई है। इसके अलावा जो यहां के सरमायेदार हैं वह ज्यादा मुनाफा लेना चाहते हैं। वे लोग कम से कम अपनी चीज पर २५ से ४० फी सदी तक मुनाफा वसूल करना चाहते हैं। इसलिए एक तरफ तो दौलत चन्द लोगों के हाथों में सिमटती जाती है, मुनाफा लोगों को ज्यादा होता है, दूसरी तरफ आम लोगों को रोजगार नहीं मिलता है।

इसी तरह से अगर हम पंचायत राज और कम्यूनिटी डेवलपमेंट के सिलसिले में गौर करें तो उसका मकसद यह था कि अधिकार को फैलाया जाये, आम लोगों को भी अधिकार में हिस्सा मिल सके, उनको पावर मिल सके, गांव की पंचायत में हिस्सा

ले कर वह गांव की पूरे तरीके से तरक्की करने के इन्तजाम में हाथ बटा सकें, लेकिन हम देखते हैं कि मन में सवाल उठता है कि क्या हम पैदावार बढ़ा सके हैं, क्या पावर तकसीम हुई है, क्या दौलत का इजाफा हुआ है। हमको यह पता चलता है कि थोड़ा बहुत कुछ हुआ हो तो हुआ हो नाभिनल तौर पर, लेकिन वास्तव में पावर उन्हीं लोगों के हाथ में है जो ताकतवर हैं, जो पटेल, पटवारी हैं, जो गांव के दौलतमन्द लोग हैं उन्हीं के हाथ में वह आ गई है। जिस तरह से वह पहले एक्सप्लायट करते थे, लूट खसोट करते थे, वैसे ही आज भी कर रहे हैं।

हमने समझा था कि कम्यूनिटी डेवलपमेंट के जरिये से पंचायत राज में लोगों में मसावत पैदा करने का मौका रहेगा, लेकिन आज हम देखते हैं कि जो हरिजन मेम्बर पंचायत कमेटी में चले जाते हैं उनको बराबरी का मौका नहीं मिलता। वे लोग पंचायत कमेटी में चले जरूर जाते हैं, लेकिन उनको कहां बिठलाया जाता है। पंचायत कमेटी के दूसरे सदस्य अगर कुंसियों पर बैठते हैं तो उन लोगों को नीचे बिठलाया जाता है, बोरों पर बैठा दिया जाता है। इस तरह से गांवों में पंचायत का काम हो रहा है। पंचायत कमेटी के जरिए से हरिजनों के लिये मकानात की तामीर की गुंजाइश रक्खी गई है लेकिन आज हम देखते हैं, कम से कम मेरी कांस्टिटुएन्सी में तो ऐसा ही है कि पांच सालों में लैंड ऐक्विजिशन भी नहीं हो सका, उनको मकानात बनाने के लिए उनको जमीन मुहैया नहीं की जा सकी। पंचायत राज के लिये अब की बार भी तकरीबन ८ करोड़ रुपये से ज्यादा की रकम रक्खी गई है। मैं पूछना चाहता हूं कि पिछले साल जो रुपया इसके लिये रक्खा गया था, जो बजट मंजूर किया गया, उसको किस तरह से खर्च किया गया था और आने वाले साल में जो ८ करोड़ से ज्यादा की रकम है उससे जो लोग गरीब

[श्री लक्ष्मी दास]

हैं, जो हरिजन हैं, उन के मकानों के लिए क्या इन्तजाम किया जायेगा।

पावर के तकसीम करने के सिलसिले में बहुत ही बड़े और सुनहले हुरूपों में लिखा हुआ है कि हम को पावर को तकसीम करना है लेकिन दरअसल जब तक पटेल और पटवारी रहेंगे तब तक वहां पर कोई मसावात पैदा नहीं हो सकते। जो हमारे गांवों का विधान है उस में तरमीम करने की जरूरत है और कम से कम दस बारह सालों तक ऐसे नोग वहां पर नहीं आने चाहिये जो अब तक हमारे सिर पर बैठ कर हम को एक्स्प्लायट करते थे, इन पटेल और पटवारियों, जागीरदारों और जमींदारों को पावर में हिस्सा नहीं मिलना चाहिये।

प्लैनिंग के सिलसिले में मैं यह कहना चाहता हूँ कि प्लैनिंग हम इसलिये करते हैं कि हम उस को पूरा कर के कौम का जो इफलास है, गुरुबत है, उस को दूर करने के लिये आगे बढ़ें। इस के अलावा प्लैन इसलिये भी होती है कि कौम की, देश की खुशहाली बढ़े। लेकिन हम देखते हैं कि जब हम बड़ी बड़ी प्लैन बनाते हैं तो उन से दस बारह साल बाद कुछ फायदा मिलता है। इस से कोई लाभ नहीं है। बल्कि हम को यह सोचने की जरूरत है कि हम ऐसी प्लैन बनायें जो हम को ३, ४ या ५ सालों के अन्दर फायदा पहुंचायें। आज वैसा नहीं होता। मेरी कांस्टिटुएन्सी आंध्र प्रदेश में नागार्जुन सागर तकरीबन दस सालों से बढ़ रहा है। वहां की स्टेट गवर्नमेंट कहती है कि वह उस के बस के बाहर है क्योंकि उस के मुआवजे की रकम जो पहले ६० करोड़ थी वह अब बढ़ कर १४० करोड़ हो गई है। प्लैन बनाने में प्लैनिंग कमिशन यह नहीं सोचता कि पांच साल के बाद महंगाई कितनी बढ़ जायगी। इसलिये जिस तरह से गिरानी बढ़ती है उसी तरीके से

हर काम के लिये ज्यादा रकम दी जानी चाहिये। आन्ध्र प्रदेश की गवर्नमेंट इतनी बड़ी रकम खर्च नहीं कर सकती, इसलिए केन्द्र सरकार से निवेदन है कि वह इस काम को अपने हाथ में ले और पूरा करे।

दूसरी बात मैं यह कहना चाहता हूँ कि हमारी ज्यादातर दौलत उन लोगों के हाथों में चली जाती है जिन के पास कि उद्योगों की मानापलीज हैं। और सेठ साहूकारों के लालच की वजह से हमारी काफी दौलत उनके पास चली जाती है। इसके अलावा हमारी काफी दौलत चीन और काश्मीर के मामलों में खर्च हो रही है। ये भसले रावण की चिता की तरह जल रहे हैं और इन पर सालाना हमारा करोड़ों रुपया खर्च होता है। मेरी प्रार्थना है कि हम चाइना के साथ बातचीत करें और किसी तरह लेन देन की भावना से काश्मीर के भसले को भी खत्म करें। चाइना के साथ जो हमारी बातचीत होगी उस से हमारी इज्जत में फर्क नहीं आयेगा। हमारा बहुत बड़ा देश है और पिछले १८ सालों में हम ने बैनलभ्रकवामी तौर पर बहुत बड़ा काम किया है, हमने दुनिया में अमन और पीस के लिये बड़ा काम किया है। हमने जो नान एलाइनमेंट की पालिसी चलाई है, उस से सिर्फ हिन्दुस्तान की इज्जत ही ऊंची और बाला नहीं हुई है, बल्कि और कौम भी उस पालिसी पर चलने को तैयार हैं। इसलिये हमारे किसी मुल्क से बात चीत करने से इज्जत घटती नहीं बल्कि बढ़ती ही है।

आखिर में मैं एक लफज कह कर खत्म करता हूँ। गांधी जी की जिन्दगी और कयादत में जिस तरीके से हिन्दुस्तान आजाद हुआ उसी तरीके से मैं चाहता हूँ और हिन्दुस्तान की कौम चाहती है कि पंडित जवाहरलाल नेहरू की जिन्दगी और कयादत में चाइना और काश्मीर के भसले हल हो जायें और इन पर जो हमारा करोड़ों रुपया हर साल खर्च

हो रहा है वह बच जाय, जिस को हम अपने प्लान्स पर खर्च कर सकें और हमारी कौम खुशहाल हो सकें ।

**Shrimati Yashoda Reddy** (Kurnool): Mr. Deputy-Speaker, Sir, I thank you very much for having given me this opportunity. This time I would like to raise only one point. But before going to my speech, I would like to refer to Mr. Masani. Speaking from the Swatantra Party, he had an objection to all planning of every kind and he said he does not believe in the present generation doing any sacrifice for the sake of posterity in that regard. The other day, he objected that I should not give him, an elderly person, any advice. Certainly, he is an elderly person. But the only thing I would like to tell the House is that in an elderly statesman wisdom may come with age but sometimes age comes all alone.

One more thing I would like to say about what my D.M.K. friend said, that is, regarding the U.P.S.C. Though I do not agree with him from every point of view, I certainly do agree that the Government of India, as far as the U.P.S.C. examinations are concerned, when the non-Hindi speaking people write in English and Hindi-speaking people write in their mother tongue, should provide safeguards to the people who are not writing in their mother tongue.

The one thing that I want to raise is this. Though I know I am not speaking on the Finance Bill directly, I would like to draw the attention of the hon. Finance Minister to this one aspect. Recently, when I went to Andhra, so many people came to me and raised the matter about the medical education. The Health Minister is also here and I am doubly benefited by it. There are about 86 medical colleges in India out of which 10 are private colleges—2 from Andhra and the rest from other places. Because of the present day demand and specially

because of the emergency, the Government increased the admissions, both for the private colleges and public colleges, to the extent of 10097. This is mostly due to the emergency. The number of doctors in India today is only 80,000. Even as per the Mudaliar Committee and the Bhole Committee—they wanted 1 college for every 5 million population—we are behind by 10 to 15 colleges. As far as the population basis is concerned, in India we have only 1 doctor for every 5000 or 6000 people whereas in America it is 1 for every 500. Apart from this, I would like to say, here are these private colleges who are coming to help the Government by opening new ones and producing doctors who are so essential both for our rural people as well as for the emergency. If you see the report, you will find that out of Rs. 350 crores and odd, the Government spends a nominal sum of Rs. 1.70 crores on the medical colleges. There are 10 private colleges in India which are doing a lot of good work. All along—I mean for the last 5 or 6 or 7 years—the Central Government has been giving them *ad hoc* grants. I concede there is no special provision for private colleges. Even if all the 10 colleges are given this paltry sum of Rs. 4 lakhs or Rs. 5 lakhs each, it will not cost you more than Rs. 50 lakhs. But suddenly, without any notice, it is being stopped. Why I bring this to the notice of the Minister is this. In 1963, there was a circular from the Government of India to all the medical colleges, both private and public colleges, to the effect that in order to meet the needs of the emergency, the strength of the medical colleges should be increased and that for every candidate who is taken they will give Rs. 15000 non-recurring and Rs. 2000 recurring grant. This was in January. All these private colleges increased the strength in their colleges. In July 1963, after the admissions were done, suddenly without any notice the Central Government stopped giving them funds. I have no objection if they stop giving funds. But let them stop it from

next year. What has happened? I can give you an instance of two colleges in Andhra, one Kakatiya college at Warrangal and the other college at Kakinada and there must be so many other colleges facing the same difficulty. What I say is this. They have stopped giving the funds when these colleges have got extra students and they have done it without any notice. It is neither meaningful nor justified. I would appeal to the Health Minister to do something in this regard. When I approached the Health Ministry, they said that the Finance Minister took objection. Now, I will appeal to the Finance Minister to give Rs. 50 lakhs for 10 colleges this year at least. Next year they may stop it. But this year they should not do it because they cannot adjust now. Then, lastly I would say that some private colleges are trying to come up, say, for instance, in Chingpet, the State Government has given the permission, the local people have given funds and there they want to start a college, and there is a good hospital there. But the Central Government says 'No.: Neither the Government is prepared to help them nor are they allowing the private colleges to come up especially when we want all these things in the emergency and for the rural people. I hope the Finance Minister will give Rs. 50 lakhs to these 10 private colleges.

**Shri Morarka** (Jhunjhunu): Mr. Deputy-Speaker, Sir, I wish to confine myself only to the provisions of the Finance Bill. But before I say something about the individual clauses, I would like to begin by saying that after the passing of this Finance Bill, our country would be the most heavily taxed country in the world both extensively and intensively. I say extensive because out of 12 types of direct taxes that are known and can be imposed, this country would have the honour of having eleven. The only tax which we would not have is the inheritance tax which I think the Finance Minister would consider for next year. I say inten-

sively because some rates of taxation are as high as 85 per cent. Death duty is 85 per cent; personal tax is also very high; corporation tax now touches the limit of 80 per cent. I say that no other country in the world, even the socialist countries whom many of my honourable friends here try to emulate do not have such high rates of taxation, nor do they have such varieties or types of taxation of a direct nature.

Many hon. Members here have blamed the Finance Minister for not ushering in a socialist society or not implementing the Bhubaneswar Resolution straightway. If by that they mean that unemployment problem is not cured, I entirely agree with them. If by that they mean that all means of production are not owned by the State, then also I agree with them. But if by that statement they mean that no effort is made in redistributing the wealth or equalising the income or taxing the rich to bring down the income, I think they have either not studied the provisions of the Bill or they have not been able to appreciate the provision quite adequately.

**Shri K. D. Malaviya** (Basti): You have to go deeper into that aspect.

**Shri Morarka**: The hon. Member who spoke on the Finance Bill did not say anything about the provisions of the Bill. I do not know how deeply he has gone into it.

In this debate it is surprising that not a single critic has suggested where the rates of tax could be increased; nor have they suggested any new tax which can be imposed. The only thing they have suggested is the nationalisation of banks. If nationalisation of banks is a remedy for all these ills, I suggest to the Finance Minister that he must nationalise them, if for no other reason, for the satisfaction of these people.

**Shri Nambiar** (Tiruchirapalli): Not for their satisfaction, but for the satisfaction of the country.

**Shri Morarka:** Co-operation of every section of the population is essential and if they mean that by nationalising banks we can improve the economic condition, I think we must nationalise even banks.

**Shri K. D. Malaviya:** People do know that nationalisation of banks is not going to solve all the problems. Nobody believes so.

**Shri Morarka:** The main justification is that there are three main demands on our revenues—development, defence and rehabilitation. A country is not fortunate, if there is even one of these demands on its revenue. In this country at present we are faced with these three demands and it is not so easy to meet those three demands. But notwithstanding that, even if you impose new tax, even if you raise the tax to the extent or to the level of confiscation, I think that some basic principles of taxation, some sound principles of taxation should not be given a go-by; but they must be observed, I enunciate only two or three principles. One is that when you levy a new tax, the application of that new tax must be prospective; there should be no retrospective applicability of any new tax. The second principle that I want to lay down is that where the main purpose of the tax is not to raise money, but to achieve some social objectives like reduction, equalisation or redistribution of wealth, etc. even there such tax, I submit, cannot have retrospective applicability. When I come to the gift tax, I will have something to say about it. The third principle—I think the hon. Finance Minister must accept is that in no case the total tax burden of an individual should be more than 100 per cent of his income. If you want to give any incentive which you say you are giving, then there should be no difficulty in accepting this principle that the burden of tax on any individual should not be more than 100 per cent of his total income.

**Shri T. T. Krishnamachari:** Of his total wealth.

**Shri Morarka:** Of his total income. Now, people have talked about incentives and it is said incentives are given. I do not know which incentives are given and to whom they are given.

**Shri K. D. Malaviya:** To industrialists.

**Shri Morarka:** If my hon. friend points out what incentives is given, I will be able to say something. To say that it is given to industrialists, capitalists and private sector is very general.

Incentives were given in America. What was the result? The corporation tax was reduced by 5 per cent. The result was that one company alone invested in two years 3 million dollars—that means 3,000 million dollars—equivalent to Rs. 1,500 crores—the total amount spent during the First Five Year Plan. In another case, the American Telephones and Telegraphs Company spent in one year a sum of 3.2 billion dollars equivalent to Rs. 1,600 crores. These are the incentives they gave and as they really wanted to develop the private sector. Therefore, these big incentives were there.

**Shri J. P. Jyotishi (Sagar):** Do you want incentives to be given to that extent?

**Shri Morarka:** If the Chair gives me more time, I can satisfy you on that point. Otherwise, let me go on; please do not interrupt.

Somebody said something about evasion. I agree there is tax evasion. At the same time, hon. Members must realise that there is no country in the world where there is no tax evasion. This malady exists in other countries also. It may be a question of degree. In some countries it is more, in some countries it is less. Unfortu-

[Shri Morarka]

nately we may be a country where it is more and our attempt should be to reduce it.

Prof. Kaldor whom we often follow here had some thing to say about evasion in England. Here I will quote. He says:

"Our present nominal rate structure would produce fantastic results if taxable capacity were measured directly into a sound vessel instead of through a seive",

The tax laws of England are regarded by Kaldor as a seive with many loopholes. Here, if we have tax evasion as compared to England, more or less to the same extent, I do not think that there can be much to be said against our tax system. My point is, however strict or stringent your tax laws may be, however efficient your tax administration or tax apparatus may be, however detailed your regulations or control may be, tax evasion to some extent is bound to exist.

**Shri Joachim Alva (Kanara):** Plus enormous unaccountable currency.

**Shri Morarka:** It is a queer phenomenon in this country that people who pay tax are called tax evaders and tax dodgers and people who do not pay any tax are the progressives and honest people. People who pay tax are tax evaders; people who never pay tax are progressives and they are honest people.

**Shri Prabhat Kar (Hooghly):** The hon'ble Member is creating a wrong impression. The reference is to people who do not pay tax according to the requirements of the law.

**Shri Morarka:** I was saying that so far as the present law . . .

**Shri Joachim Alva:** The hon'ble Member cannot get away with that.

I am a tax payer and I have been paying for several years. A \* should not talk like that.

13 hrs.

**Shrimati Yashoda Reddy:** Can a Member call another hon. Member a \* ?

**Shri K. C. Sharma (Sardhana):** On a point of order. Can an hon. Member dare say that another hon. Member is a \* ?

**Shri R. S. Pandey (Guna):** It has to be expunged from the proceedings.

**Shri Morarka:** I seek your protection, Sir, in respect of one word. Shri Joachim Alva called me a \* ?

**Shri Joachim Alva:** I did not call him like that. I said that this was the talk of \*.

**Shri Morarka:** The record is there, and you can see.

**Mr. Deputy Speaker:** I do not think that he mentioned anything particular with reference to the hon. Member. I think he only said that \* should not escape from taxes.

**Shri Morarka:** No. The record is there, and you may kindly see.

**Mr. Deputy-Speaker:** If he has said anything against the hon. Member, then I shall see the records and have it expunged. Did Shri Joachim Alva call Shri Morarka a \* ? What has Shri Joachim Alva to say?

**Shri Joachim Alva:** I only said that the hon. Member should not draw a line between those who pay taxes and those who do not pay taxes, in this manner. Most Members of the Congress Party, perhaps, are poor people . . .

\*Expunged as ordered by the Chair.

**Mr. Deputy-Speaker:** The hon. Member should not make a speech now.

**Shri Joachim Alva:** . . . who never had chances; they have grown strong and patriotic from poverty and suffering. It is wrong to say that there is a class of people who do not pay income-tax or on whom the income-tax laws do not operate.

**Shri Ravindra Varma:** The word has been used, and it must be expunged.

**Mr. Deputy-Speaker:** If the hon. Member has said that Shri Morarka is a \* , I shall have it expunged.

**Shri Joachim Alva:** If my hon. friend thinks that I said about him, I might tell him that I did not. I did not make any reference to him. I was not referring to him personally but to an entire class.

**Mr. Deputy-Speaker:** Now, Shri Morarka should try to conclude his speech.

**Shri Morarka:** I would request you to give me some more time.

**Mr. Deputy-Speaker:** He may take two or three minutes more and conclude.

**Shri Morarka:** I think the hon. Minister is willing to give me some more time.

**Mr. Deputy-Speaker:** He may conclude in two or three minutes.

**Shri Morarka:** Now, I want to say a few words about the 'Section 23-A' companies. These companies are considered to be corporations which are held closely by a few people and which are considered to be the preserve of a few people. That is why the Finance Minister has increased

the tax on these companies rather steeply from 50 per cent to 60 per cent. The definition as it exists today in the income-tax law about these companies is very defective.

For example, according to this definition, a company having 20,000 shareholders and a company whose shares are quoted on the stock exchange can be called a company held closely by a few people. At the same time, a company having only 10 shareholders need not come within the mischief of section 104 of the present Act or section 23A of the former Act. I think that 'he hon. Minister must examine the definition of these companies and do something to remove this obvious anomaly, because the definition appears to be somewhat illogical.

You will see that on the one hand, the big corporations pay less tax, even though they enjoy the facilities or advantages of 'limited liability;' on the other hand, the registered firms which are absolutely the close preserves of a few people pay a much smaller tax; Those companies, unfortunately, which have the advantage of limited liability but which are, in fact, not the close preserves of few people are subjected to a tax which is very high, and in fact, higher than big limited companies or registered firms.

Now, I want to say a word about the gift tax. As I have said, whatever taxes you may impose, and however much you may increase the rates, they must apply prospectively and not retrospectively. Suppose a person made a gift of Rs. 2 lakhs last year, knowing at that time that his tax liability was Rs. 14,000. Now, because of this tax measure, he will have to pay a tax of Rs. 1 lakh for no fault of his. He acted according to the law then in existence, and he made a gift of Rs. 2 lakhs. Now if a Bill is brought and the rates are changed the effect would be that instead of Rs.

\*Expunged as ordered by the Chair.

[Shri Morarka]

14,000 he will have to pay a lakh of rupees. If you consider that the increased rates are necessary and the gift should be proscribed, then it is all right, but let the rates apply prospectively and not retrospectively. Therefore, I submit that these provisions should apply for the future and not for the past.

I would say a few words about the expenditure tax also. When he brought in the expenditure tax first, the hon. Finance Minister said that the purpose was twofold. One was to check ostentatious expenditure, and the other was that it would be part of a scheme or pattern of taxation to plug loopholes in other. But now under the proposed amendment, what the Finance Minister has done is this. He wants to tax you on the amount which you spend on looking after your parents. He wants to tax you on the amount which you spend on the education of your children. He wants to tax you on the expenditure which you incur on the medical treatment of yourself or your family. He wants to tax you even on the small amount that you spend on the marriages of your dependants and daughters. If you apply the objective which the hon. Minister had in mind when he brought in the expenditure tax in the beginning, namely, to check the extra-expenditure or the avoidable expenditure, I am afraid that the expenditure on aged parents, the expenditure on education of children or the expenditure on marriages of one's daughters cannot be called extravagance. So, I hope that the Finance Minister will reconsider this matter, if not today, at least some time later, and see if he can give some relief in respect of these taxes at least.

Since you are anxious that I should resume my seat and my time is also up, I would take the opportunity to speak more about these things when we come to the clause-by-clause consideration stage.

**Mr. Deputy-Speaker:** Now, the hon. Minister.

श्री ह० च० सोय : उपाध्यक्ष महोदय, आन ए प्वायंट आफ़ आर्डर । पिछले चार पांच रोज़ से आप जिस तरीके से माननीय सदस्यों को बुला रहे हैं, उस में कुछ माननीय सदस्यों को तो कई दफ़ा बोलने का अवसर मिल गया है, और कुछ बोल ही नहीं सके हैं । मैं इस व्यवस्था का विरोध करता हूँ और विरोधस्वरूप वाक-आउट करता हूँ ।

13.05 hrs.

(Shri H. C. Soy left the House)

**Shri T. T. Krishnamachari:** I had expected during these hours when this Bill had been discussed a little more of thunder and lightning, in respect of the financial proposals that I have placed before the House. I am not saying that I am disappointed that it has been somewhat confined to one or two people, and even there, the criticism has not been so much in regard to the proposals but in regard to the general policies of Government, and that is as it should be because the House by accepting this Bill would be providing sinews to the Government to carry on during the rest of the year. And this naturally is the time when we can speak about everything under the sun.

If I may strike a personal note, during the time when I used to be in the Opposition, I think that for three consecutive years, I took more than 2½ hours to speak on the Finance Bill. During those days, there was no time-limit for speaking on the Finance Bill.

**Shri Prabhat Kar:** Now that he has gone over to the other side, he does not get that much opportunity.

**Shri T. T. Krishnamachari:** Moreover, the number of Members was small, and in fact, there were just a

few of us in the Opposition who used to be here, and the rest were not here.

Anyway, I have no quarrel with the hon. Member who raised a number of other problems relating to Government and the carrying on of Government.

My hon. friend Shrimati Yashoda Reddy raised the question of private medical colleges. I shall only say this that I am not personally of the offence of which Government have been charged. I quite appreciate that when we want more people with technical qualifications and when people are anxious to get technical qualifications, opportunity should be provided for them, and every opportunity that is available should be used. I shall certainly convey to my colleague, the Minister of Health, the remarks made by my hon. friend Shrimati Yashoda Reddy.

**Shrimati Yashoda Reddy:** And with some funds also.

**Shri T. T. Krishnamachari:** And I hope that something will happen. But I may say at the same time that in regard to the particular grievances that hon. Members legitimately have in respect of what is happening in their own States. I am finding a little difficulty because certain moneys devolve to the States by reason of the recommendations of the Finance Commission. They have a share in the central divisible pool. Over and above, because they have a plan, the Planning Commission goes into their plan expenditure, ascertains what they could find and then tries to plead with the central Finance Ministry for funds. When you total up the claims of about 15 States, naturally the funds that are needed do not approximate to the funds that are allocated. Sometimes they have to make a departure at 25, 30, 40 or 50 crores of rupees, as the case may be. Having done that, I think the Centre has discharged its

responsibility, and if the States do not spend on certain important items, very legitimate, important, necessary, it is difficult for the Centre to find revenues afresh. It is a matter in which I would like the help of Parliament as a whole, because after Parliament as a whole is responsible for the utilisation of the funds that are available to the Central Government. That is the main reason why sometimes when we are not able to accommodate new items of expenditure, we try to see if they are something very useful and necessary.

Having said that, I would like to make some reference to hon. Members' speeches. I find Shri Banerjee is not here. Shri Banerjee has apparently got a particular allergy to me. Of course, he is very fond of me, because I get the largest number of letters from him, of all Members of Parliament. Sending these billets seems to make him rather different in the House.

He raised a question this morning about leakage. Of course, leakage is a common thing. Whenever you build a building, the roof leaks. Leakage of information is very common. We are not able to do anything with the gentlemen of the press who try to find information. It is their job to find information; it is our job to refuse to give them. Sometimes in this game of 'pull out and hold back', they succeed and we fail. But I can tell you that this charge against the finance Ministry of having had a special soft corner for the *Economic Times* in their heart is not right. Because the article in the *Economic Times* is dated 17-4-64 with the caption—'Tax concessions will cover some bonus issue shares, income tax, estate duty'. The items proposed for concessions mentioned in the article tally more or less with the provisions contained in the proposed government amendments. The notice of the amendments, together with a copy of the amendments, were sent to the Lok Sabha

[Shri T. T. Krishnamachari]

Secretariat on the 14th April and received by them that day at 5 p.m. I believe that a copy of the amendment was in the hands of Members of Parliament on the 16th early morning. I got it myself. This issue is of the 17th. Apparently, some reporter of the *Economic Times* has been very busy collecting the information that is contained in the amendment. That is all I can say in regard to this supposed leakage.

The hon. Member also returned to his charge which he made yesterday of saying that he smelt a rat or fish or something like that, when I had to explain to him the Finance Ministry has no connection whatsoever with that particular deal. May I also say that my nose is equally sensitive? I might also smell something. But it is not very fair to say.

Now the speech in the morning which is fresh in my mind is that of my hon. friend, Shri Nath Pai. He is one of our intelligent young Members, of whose intelligence I am even envious. He has a gift of expression which makes the most bitter things that he can say soft to hear. I always enjoy hearing him. He is a good friend outside. But unfortunately, he took the instance of Sholapur, a study made by the Gokhale Institute of Economics, a good institution presided over by a person, for whom I have the very highest respect. It took the Sholapur City. I asked him a question, whether he had seen Sholapur. He said he had not. I have. I went there in April 1956. I spent a whole day there. I had gone round the various places, dim, dirty, dusty, dismal spots in Sholapur, which I think beats the slum life of any town in India. Of course, every city today has a slum, a number of slums, and they grow. If the Government of that particular State, does something for housing them, new slums come up. That is why I have often told hon.

Members of Parliament that when they speak of rural areas, and divide urban areas from rural areas, they are making a mistake. That dichotomy does not exist in fact. Whatever happens in rural areas, whether it is famine or any other thing, is reflected in urban areas. Take even just this unemployment. A man who could not be absorbed on the farm goes to the city for work. When he goes to the city, he finds no home. A slum develops. He is without a family, without any tie.

13.16 hrs.

[MR. SPEAKER in the Chair]

He lives in a slum with all the evils that come along with it.

So I know Sholapur. In fact, I can tell the hon. Member that I found in *karkhanas* where weavers were employed, mostly coming from the Andhra area, there were 50—60 people working in each house. There were 300 tenements built for refugees which were kept vacant. I had to tell the Collector that the Government of India would be prepared to sanction these people occupying them even free of rent or at a nominal rent of one rupee per month. I do not know what happened thereafter.

I know the miserable conditions in Sholapur. But when we take an isolated condition of a slum, of a city with a lot of slumps, I know them; I know the slums are there. I know the people who live in slums are people who live as though they live under sub-marginal conditions, though many of them get a good income. But for very many reasons, some of the people who are living in proper houses in towns go to slums, because they are not able to pay the house rent. I had myself seen a reasonably well-to-do man—I would not say well-to-do—somebody getting about Rs. 200 a month, living in a slum. I asked him why he was living there. He said: I

was paying Rs. 42 for a room. I have got four children. I am a widower. I cannot live in a tenement of that nature. I am paying Rs. 4 here. My children are being looked after by the four people round about me. But I am feeding them well because I save on house rent'.

There are very many factors which take people to slums, and their lines are not all the same. I am not denying the fact that the people who live in slums in the cities represent the worst in our economy, in our social system. But that does not really indicate that we have made no progress at all. It might suit the hon. Member who is in the Opposition to say that we have made no progress during the last 15-16 years. But that is not right. We have not made the progress that we want, a progress which is satisfactory to us. I agree. Our progress has not been satisfactory because our demands are very great. As I have said times without number, every step that we take which is beneficial produces another problem. If you educate people, the backlog of unemployment becomes greater. If during two Plans you have provided employment for 15 million people, your rate of education has gone up. You are educating roughly about 50 per cent of the people, and not only boys but also girls come up for employment. Therefore, as your education spreads—it is spreading very fast; we have hit the target in the Third Plan—we have this problem of having to find jobs. And that is why our plan develops. As we increase the facilities for education, as we increase the longevity of life, the population problem, the number of people who are unemployed must grow, and that is why the Plan has got to become bigger, so that it would absorb those unemployed. But I do not think that within a measurable distance of time we can say that we have solved the unemployment problem, because the problem of unemployment has a multiplier effect with the development of the economy. And therefore, as my

hon. friend is a good enough economist, he knows that more effort is necessary.

My hon. friend said something about the administrative apparatus. I will agree with him subject to a reservation. The failure of the administrative apparatus might be admitted, but I do not think the failure could be put down at the doors of the people who are in charge of the administration. It is true we want to start more public sector enterprises, we want the private sector also to grow. There is a competition not in the matter of commodities, but, at any rate, in the matter of talent, administrative talent, between the various sectors, and we are not finding enough men. Therefore, the existing administration is carrying a load on itself which is very heavy. I am not trying to defend any individual official, but I can tell the hon. Members, not in defence of my proposals, not even to attract the sympathy or pity of the hon. Members, that during the last three months I have put a heavy load on my staff in the Finance Ministry from the top almost to the middle level, when most of them were almost near the breaking point. If they make mistakes, if there are a few errors here and there, I think it is very excusable, because they have been working terribly hard. I agree that our ambitions, our Plans all grow, but with the growth of the Plan, the administrative apparatus does not grow.

An hon. Member from Madras today made a complaint about the fact that, while Madras or South Indians had a substantial share in the number of candidates who were successful in the IAS examination every year,—I can tell him that for years the average has been somewhere about 16 or 17 in the first 50—it has dropped today. Why? He seems to think that the Central Government is to blame. No. The blame has got to be found nearer home. What we have done is, in the same way as in everything else, a very desirable thing. The local

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language must grow, it must develop, people must study in the local language. We are in the transition period, a thing which it is very difficult to cross, and it is because in Madras, since 1952, education in the first three forms and the standards has been in the local languages, and the medium of instruction in the schools has become the local languages, that the young men are unable to express themselves correctly.

**Shri Rajaram:** I want a clarification whether the standard has gone down so quickly within one year.

**Shri T. T. Krishnamachari:** It is not one year. The hon. Member must know that the boy who was in the second or third form in 1952 is the man who appears for examination in 1964. You will find that the present state will continue. Even if the educational standards are improved, better teaching is provided, you will only see the result ten years hence, as it happened in U.P. In fact, U.P. is faring very badly in the IAS examination. So, in the matter of fixing priorities, sometimes we fail, and I think the hon. Member's party is also wanting the introduction of the regional language very quickly.

My hon. friend Dr. Lohia is not here. He wants to make us all unlearn quickly. I am not one of those people who are against Hindi. I think ultimately that will have to be the *lingua franca* of India, even though I would not learn it.

**The Minister of Rehabilitation (Shri Tyagi):** Why?

**Shri T. T. Krishnamachari:** I am too old for it.

**Shri Rajaram:** It is not possible for you. It is not possible for any South Indian to learn Hindi.

**Shri T. T. Krishnamachari:** Anyway, it will come 15 years hence. I am not speaking for the Government, but I

can say to the people who are concerned about it that if you want Hindi to be the national language of India, you have to wait for two generations, otherwise you will not get it.

**Shri Kapur Singh (Ludhiana):** That is well said.

**Shri T. T. Krishnamachari:** It will come, it is bound to come, we must have it.

I have heard Shri Thakratmal Jain speak today, the beautiful language that he spoke. I liked it.

**An Hon. Member:** Shri Tikaram Paliwal.

**Shri T. T. Krishnamachari:** I always mistakes the two names, both of them Chief Ministers.

Of course, my little knowledge of Sanskrit makes me understand it. It was nice to hear him, and I wish I could speak as he does, though I could piece together the various points.

Therefore, some of our own acts, well-intentioned undoubtedly, and which the people want, which hon. Members of the House want, react on us, and that is where the apparatus sometimes fails.

I do not think Shrimati Renu Chakravartty wants me to reply. She had said her piece, and it does not need a reply. Of course, everything that the Government does is wrong, because one thing that the Government does is this, it is not for the purpose of bettering the conditions of the people in this country, it does not even have the enlightened idea of its own self-interest, namely that it has to go back to the people for a vote in 1967. All that we do is all the time build up the foreign capitalist in India, as if that will give us food, as if that will take us to heaven and we will be returned when we go to the elections in 1967. That is the communist slogan, and I will say no more about it.

I come next to what perhaps was the *piece de resistance* of this debate, Shri Masani's speech. I think both Shri Masani and I are labouring under a difficulty. We are friends. I have great respect for him, and I think he has some soft corner for me. He belongs to a party which, so far as my mental picture is concerned, does not fit in anywhere. There is no niche for it anywhere. And probably I belong to a party, or I am a follower of an individual who is foreign matter which he cannot tolerate. Therefore, even though all the time he says I am not responsible, how can it be? I am here the Finance Minister, I am responsible. The amendments have been tabled by me, the amendments have been written down by me. In fact, I did not finalise the speech which I made yesterday till yesterday morning 11 O'clock, and the poor fellows were typing it, and sending it in pieces while I was speaking. There is no point in claiming every time that it is my responsibility, and everytime his saying that I am not responsible, somebody else is responsible. It is good because he thinks he does not want to offend me directly, because he thinks I am not a bad chap, but what we really have to deal with is the fundamental difference between our two approaches.

I have no quarrel with what he said. If he says that, in spite of my attempts, the climate which I wanted has not been created, well, he is entitled to hold his opinion. I might say, on the other hand, that the climate is being deliberately thwarted, because, though my hon. friend Shri Morarka, who is a very knowledgeable person, says there are no concessions here, there are concessions; in fact, in the changes that we have made, we have built in a number of concessions. I do not think any hon. Member, however unkind he may be to me, would say that my intelligence is below par.

**Shri K. C. Sharma:** It is above par.

**Shri T. T. Krishnamachari:** In this reshuffling of income from various

sources by way of taxes, I have lost Rs. 36 crores in personal taxation, I have lost Rs. 30 crores in Super Profits Tax, but the thing has to be built up somewhere. There is a gap, and I expect to make up the gap by better collection.

Somebody mentioned, I think it was Shrimati Sharda Mukerjee; what is this, other countries do not have these taxes.

**Shrimati Sharda Mukerjee:** I did not say it. I think you are making a mistake.

**Shri T. T. Krishnamachari:** I am not entirely making a mistake.

**Shrimati Sharda Mukerjee:** It was Shri Morarka.

**Shri T. T. Krishnaamachari:** I do not confuse what she said with what Shri Morarka has said. Mr. Morarka has said that we have got 11 of the 12 taxes in the world. She said: you have got so many new taxes: Kaldor recommended them and you have adopted them: you have not increased your revenues. May I tell her this? In 1956 the revenue was of the order of Rs. 150 crores. As I said the other day, our revenues today stand at Rs. 521 crores. I expect it will go up. In fact there is a regular battle going on between me and my officers as to what is going to be our target for the current year. I am fixing the target very high. They are diffident. I hope they will be able to reach the target that I fix for them. From Rs. 150 crores to Rs. 521 crores—it has not dropped from heaven. I can tell the hon. Member that it is these taxes, Wealth Tax, Gift Tax, etc. which have made tax collection easier and that is why in spite of the fact that my predecessor took away the expenditure tax, I reimposed it, not because I wanted to undo something which he did—I have got a great deal of respect for him; he has been an old friend of mine—but because I feel that in the modified form it is necessary for the purpose of checking abuses. Therefore, where am I?

**Shri Ranga:** Nowhere.

**Shri T. T. Krishnamachari:** Two hon. Members said that no concessions had been given. The communists and somebody else say: you have given a lot of concessions to the corporate sector. Yes. We have given concessions to the corporate sector, not for the purpose of distribution but for the purpose of building up reserves. I may tell the hon. Members that in future the bulk of the savings for investment must come from the corporate sector and mobilisation of savings from the normal, ordinary people. The big people will not be there. After twenty-five years, perhaps many of the big estates would have been broken. But new estates would come in undoubtedly—though not in the same proportion. If you have Monopolies Commission and they draft a law and you implement it, naturally the process of wiping out monopolies will go on. New monopolies will undoubtedly occur, so long as you have the individuals free and he has incentives. I am glad that my hon. friend Mr. Nath Pai quoted Mr. Khrushchov, who spoke of material incentives. That is exactly what I am striving at. Individual must have incentives because ultimately whatever your social system, the individual will have, I believe, his part; if he does not pull his weight, nothing would happen. If hon. Members know something about Juggernaut—we have a number of these temple cars in my part of the world—10,000 people drag it and everyone of the 10,000 help to drag it. The individual is necessary to drag the big Juggernaut to the ultimate goal of some prosperity for the people of this country and for the individual again. Therefore, whatever might be the social system that may be there, the individual has to be the basis on which you have to build everything and the individual incentive cannot be stifled. That is what Prime Minister Khrushchev has learnt and it is a good lesson. He is a pragmatic man and he learnt that material incentives are necessary. That is what we are trying to build up here.

Hon. Member Shri Morarka said that the expenditure tax exemptions have been taken. Yes. Exemptions have been taken. But the rate has been diminished. Rates went up to 100 per cent in the previous tax. Now it is only 20 per cent and I am only collecting fifteen per cent; for two years I do not propose to collect 20 per cent. I do not think the parents of people who are earning Rs. 36,000, who are spending Rs. 36,000 are likely to be paupers. In fact if I earn Rs. 36,000 I will maintain not only my parents, but my grand parents and also my great grand aunts and everybody else; it is possible in an Indian household....

**Shri K. C. Sharma:** Because they are not alive.

**Shri T. T. Krishnamachari:** They are not alive unfortunately. As a matter of fact, I myself occupied that position in relation to somebody else. Therefore, while we have certainly taken away these exemptions, I think we also made it less. I know a group of people came and told me: would you compound it? Where is the question of compounding? Formerly it was 100 per cent and you compound it. When it is 15 per cent, what are you going to compound? I know that people are spending more than Rs. 36,000. If I go to every occupant of the Friends' Colony, he must pay expenditure tax because he lives in houses for which the rent is something like Rs. 2,000: that itself will amount to Rs. 24,000. They ought to pay expenditure tax. In fact I told the Prime Minister, when he asked me: will you be able to collect this tax—that I can myself collect it in Delhi; I could get about 3000-4000 people. So, it is collected from all these people who occupy these big flats for which rent is being paid at Rs. 500 or Rs. 600 or Rs. 2000: they must pay expenditure tax. Therefore, the charge that the expenditure tax must have more exemptions is not right. If actually we find that 15 per cent does the trick, we will keep it at 15 per cent next year.

I have got a lot of other material and I do not think that I will take the

time of the House because they would like to discuss the clauses though I am not quite sure that clause-by-clause consideration will occupy eight hours. Mr. Masani said that we were under-estimating our receipts and over-estimating our expenditure. In 1963-64 budget, the central excise was estimated at Rs. 608 crores; the revised estimates were for Rs. 690 crores and provisional actuals today are Rs. 695 crores. That is not quite a good percentage. That should please my hon. friend. In respect of customs duties, the budget estimates were Rs. 321 crores; revised estimates Rs. 320 crores and provisional actuals Rs. 324 crores. I have of course said that we have produced Rs. 81 crores more but that is by hard collection. Somebody mentioned about the arrears. I think it was Mrs. Chakravartty. The arrears position today is certainly satisfactory. When our collection was—I mean the demand—was of the order of Rs. 100 crores, we had an arrears of Rs. 160-170 crores. When our demand is of the order of Rs. 500 crores and odd, we have an arrear of Rs. 290 crores or thereabout. The proportion of arrears is not very high. But we expect to do better. However, as the base of income to be taxed becomes greater, it is unlikely that the arrears position will be reduced. There are other matters such as evasion of tax, etc. about which we have spoken so often and if I do not deal with some of the points raised by hon. Members which are undoubtedly of a State nature....

**Shri Nath Pai:** Would you kindly tell us—this is not exactly of State nature; it is absolutely national and we have been pleading. You see the central importance of this issue of providing for price support to the agriculturist on the one hand and of price stabilisation on the other.

**Shri T. T. Krishnamachari:** Well. The hon. Member from adivasi area who spoke so well and so convincingly I would like to tell her that Government do propose to take special interest in these depressed areas. I think it is the intention of the Prime Mini-

ster that when my new colleague's preoccupations in regard to rehabilitation and other things are over, he shall be asked to look after the development of special areas and the adivasi area will be one of those special areas. We are conscious of the fact that by clubbing together Scheduled Castes and Scheduled Tribes, we have not done justice to the Scheduled Tribes. I am glad that she is here. I shall certainly try, if I stay the rest of my term, to see that greater interest is taken in the adivasi area and I propose with the permission of the Prime Minister to saddle my colleague with this responsibility.

**Shri Shivaji Rao S. Deshmukh:** (Parbhani): A small clarification. Today an adivasi who resides in non-scheduled area does not get the benefits and so there are cases where husband is treated as adivasi because he comes from Scheduled Tribe area and the wife who comes from non-Scheduled Tribe area is denied all these facilities.

What does the Government propose to do about it?

**Shri T. T. Krishnamachari:** The anomalies of residential qualification are many. This is a matter of detail. As I said, I am not competent to go into the details except to tell the House that the Government's decision is that this Ministry should take up the responsibility for the development of special areas, and there will be many. I think the burden I am threatening to put on the head of my hon. friend is going to be considerable. He is not going to be lightly let off. With all the bet, I would not lose any hair!

**Shri Kashi Ram Gupta** (Alwar): Why not earmark a Fund for the weaker sections and the adivasis?

**Shri T. T. Krishnamachari:** It does not help anybody because the funds have to be utilised. You cannot earmark the utilisation; and that has got to be done by the human being again and by the administration.

[Shri T. T. Krishnamachari]

Shri Nath Pai wanted me to say something about the prices. He particularly mentioned the question of groundnuts. I have considerable amount of experience in regard to the pricing of groundnuts. I knew something about it even as early as 1920; as a student I used to have a graph. With groundnuts, one good crop one year meant always a bad crop the next year, not because of weather conditions, but because if there is a good bumper crop the prices come down and the next year the desire to sow the plant is not there and so the following year again the price goes up and then some people go in for it. That has been the history of groundnuts all along. Today, in regard to oilseeds, what you call the fatty oils that we need—vegetable oils—our production is short of our consumption needs. Somehow or other, in spite of the fact that there is an Oilseeds Committee, oilseeds happen to be nobody's baby. It is not a question of offering a higher price. In fact, the world prices are much lower than ours. If we export groundnut oil we have to subsidise the State Trading Corporation to an extent of over Rs. 500 a ton. It is a very high price because there is a local demand. I quite see that there is a case for better production by encouragement. I have taken up the matter with my colleagues in the Food and Agriculture Ministry and the Planning Commission who are conscious of it. We are just thinking whether we should not get a specialised agency to do this work.

Another fact that my hon. friend mentioned is from a report of some institute, or rather the *Economist*, namely, while the production of rice or wheat has gone up, the production per acre has not gone up. I do not think he is right. It may be true of some areas; it is not true of all areas. In the State to which I belong, we have doubled our production of rice but the acreage has certainly

not increased even by 25 per cent. Production has been increased largely by hard work in the areas where water is not plentiful. One of the districts which was sixth in the production of rice—the North Arcot district—has now come to the second place, next only to Tanjore, and their production is very high, because electricity has helped them to put in pumps; they irrigate land by artificial irrigation whereas in Tanjore, you have to have natural irrigation. The production rate has not risen appreciably high there largely because the irrigation is not of British creation but of Chola creation, 900 years old. You have got so many dams which have taken away the alluvium from wherever the land is bereft of all humus; and there is water-logging at the top of it. These are things which should be remedied, but it is not right to say that production has not increased per acre. In many cases it has. Even in Tanjore, there are isolated farms which produce as much as 3,850 lb per acre.

**Shri Ranga:** But not because of the Government.

**Shri T. T. Krishnamachari:** My hon. friend always thinks of the Government; I wish he thinks of God. To say that the per acre production has not increased is, I think, not right. Otherwise, our production from 50 odd million tons could not have gone up to 74 million or 75 million tons, by merely adding up land, because the land is not being added to that extent. But I quite agree with him that there is room for considerable improvement in intensification of agriculture. If we can only copy Japan, we will have no problem at all, either of shortage of foodgrains or of high price, because their production rate is very high. I do not know when we will reach it.

The hon. Member mentioned something about fertilisers. He is right, because we are not reaching the planned target. We may reach about

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400,000 tons. But I think the future holds some prospects. I think my hon. friend Shri Humayun Kabir and his colleague Shri Alagesan would think hard and quickly bring in this question of naphtha cracking, and I think our fertiliser problem will be solved very soon.

I think I have said most of what I could say in regard to the general discussion. I will probably have more opportunities to say something about particular measures later.

**Shrimati Renuka Ray (Malda):** I want to ask one question of the hon. Finance Minister.

**Mr. Speaker:** He said there will be further opportunities for him to answer all points.

**Shrimati Renuka Ray:** Just one point. It is because of the overall position regarding the rehabilitation of refugees that I had suggested that we should try and get money from world organisations, and as a preliminary to that, we should set right the impression that is gaining ground—that the problem of the minorities is on par in the two countries, India and Pakistan—because of the Home Minister's statement. I want to know what the Government is going to do about it.

**Shri T. T. Krishnamachari:** So far as creating a consciousness among the people in the world, I may say that this problem which we have is a big problem, a human problem. I think I agree with the hon. Member but how to go about it is another matter. So far as asking the world organisations for help in regard to money is concerned, we ask for many things. I think this is a problem for which we need no foreign exchange. If we need some industries, we might perhaps get some aid. I do not think I am going to ask the world organisation for help because I think I can meet the problem myself.

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

“That the Bill to give effect to the financial proposals of the Central Government for the financial year 1964-65, be taken into consideration.”

*The Lok Sabha divided:*

**श्री बालकृष्ण सिंह (चन्दौली):** अध्यक्ष महोदय, मेरा वोटिंग गड़बड़ हो गया है।

**अध्यक्ष महोदय :** आप ने गड़बड़ कर दिया है या गड़बड़ हो गया है ?

**श्री बालकृष्ण सिंह :** हो गया है।

**अध्यक्ष महोदय :** माननीय सदस्य बता दें कि क्या गड़बड़ है।

**श्री बालकृष्ण सिंह:** मैं भाईज के लिए वोट करना चाहता हूँ, जबकि एन्स्टैन्शन हो गया है।

**Mr. Speaker:** The result\* of the Division is as follows:

Ayes—147; Noes—14.

*The motion was adopted.*

**Mr. Speaker:** We shall now take up the Bill clause by clause. There is no amendment to clause 2. The question is:

“That clause 2 stand part of the Bill.”

*The motion was adopted.*

*Clause 2 was added to the Bill.*

**Clause 3— Annuity Deposit.**

\*Names of Members who had recorded votes have not been included under the Direction of the Speaker as the photograph copy of Division result did not clearly show the names of all Members.

**Mr. Speaker:** There is one Government amendment.

*Amendment made\**

Page 4, for lines 27 to 30, substitute

"3. (1) Save as otherwise provided in Chapter XXIIA of the Income-tax Act, annuity deposit for the assessment year commencing on the 1st day of April, 1964 shall be made by every person to whom the provisions of that Chapter apply at the rates specified in the Second Schedule." (29).

(Shri T. T. Krishnamachari)

**Mr. Speaker:** I shall now put the clause, as amended to the vote of the House.

**Shri M. R. Masani:** Mr. Speaker, Sir, I would like to oppose clause 3 of the Bill. This is the first opportunity on which one can express one's views on the so-called scheme of Annuity Deposits, and I would like to explain why I am opposed to the annuity deposit scheme altogether.

This scheme of annuity deposits is a misnomer, as I shall explain in a moment. It is a deferred tax. Last year, when there was the Compulsory Deposit scheme and the whole country turned against it, the position was not so bad because the Compulsory Deposit was a genuine deposit, it was an asset of the man who deposited the amount and it got back to him within five years. When he got it back, he did not pay any tax either on his deposit or interest. The annuity deposit is a much more objectionable thing than the Compulsory Deposit, which had justly earned odium throughout the country because this is a deferred tax. Not only is the deposit taxed when you get it back but even the interest is taxed when you get it back. The way in which this goes back to the depositor is interesting. The amount is to be deposited with the Government

and it is repayable by the Government in ten annual instalments with interest commencing from the next year onwards. When he receives each instalment he is liable to be taxed on the instalment and also on the interest so that in the next year he pays, as it were, compound taxation. Every year the quantum of tax goes up. At the end of ten years an assessee will be paying tax on the tenth instalment of the first year's annuity deposit, the ninth instalment of the second deposit, the eighth instalment of the third deposit, and so on.

It is clear that except in the case of very old people this will act as a great hardship for the following reasons. An youngish man, a man going up in the world, building up something for himself and this family, will be affected. The rate of tax payable on the annuity instalments will go up every year, the slab will go up, and he would lose the benefit of his money which would be denied to him. As I said while speaking on the budget last month, the rate of 4 per cent which the Government have condescended to give to the depositor is most unfair. Even a man without very much brains can make more than 4 per cent on capital if he chooses to invest it or get a return on it. They themselves pay more, and yet they try to diddle the depositor by giving him what they call interest which is not a fair return on the money that they take. Besides, who knows whether harsher measures would not follow and whether the deposit will ever be returned? Ten years is a long term and, with the patterns of expropriation that are now being set who knows this will not be further encouraged and more demagoguery takes place.

Finally, the Finance Minister estimates he will recover from the deposits about Rs. 50 crores to Rs 60 crores a year. That large amount of money, which would have been pro-

\*With President's recommendation.

fitably invested by the people for their own benefit earning 10, 15 or even 20 per cent return will now earn a miserable 4 per cent return and will be lost to the economic growth of the country.

For all these reasons, the annuity deposit scheme is very much worse than the ill-famed Compulsory Deposit scheme brought in by Shri Morarji Desai and, when the people understand what this means, there is going to be some revulsion of feeling against the annuity deposit scheme that brought so much disfavour to the Compulsory Deposit Scheme. That is why when clause 4 is taken up I wish to move an amendment which would have the effect of making the deposit and the interest non-taxable when they are returned to the depositor. But in the meanwhile I oppose the entire scheme of annuity deposit.

**Shri Morarka:** May I enquire whether under the new amendment this scheme is not made optional? I think it is no more compulsory. If you do not want to fall in line with the annuity scheme, pay 50 per cent additional tax and get out of it.

**Shri M. R. Masani:** If you do not want to deposit you have to pay panel taxation. It is a very funny kind of option.

**Shri T. T. Krishnamachari:** Sir, I have explained this question of annuity deposit. I think it is a distortion of facts to say that we are taking away the money from these people for no purpose. Actually, hon. Members know that only people who are earning more than 15,000 are asked to deposit.

**Shri M. R. Masani:** They also are human beings.

**Shri T. T. Krishnamachari:** And the rate starts from 5 per cent. The whole intention is that a certain amount of money has to be mobilised. The hon. Member wants the money to be returned to them free of tax, both the

interest and the capital. It is not possible. They do not pay any tax at all on that amount. When you return they pay tax. It may be that many of them are profited by it. In fact, as I mentioned yesterday, the authors, playwrights, actors and others wanted an increase in the optional amount by 15 per cent to 25 per cent, which I seek to place before the House. This itself is indicative of the fact that the annuity depositors are liked by them. They would like to save tax for the present and would like to get it in instalments when they would have to pay the same amount of tax. The main purpose for the general taxpayer who gets more than Rs. 15,000 is that certain amount of money should be immobilised in his hands; otherwise, the present high spiral in prices cannot be stopped.

14.00 hrs.

**Shri Ranga:** My hon. friend has not answered the other point made by Shri Masani, that is, compounding taxation year after year on the same thing on which he has paid tax once. The principal object with which my hon. friend wants this scheme is to collect more and more money for the Government. Why should he insist upon taxing it again?

**Shri T. T. Krishnamachari:** It is not taxed once. Of course, Shri Masani understands what he says; apparently, his leader does not. It is not taxed at all. If it is taxed *ab initio* and the money is taken away then you cannot touch it when you return; you cannot tax it. It is not taxed first; it is taxed when it is paid back. As my hon. friend, Shri Morarka, pointed out, anybody who wants the money and is prepared to pay the penal tax, he can avoid it.

**Shri Ranga:** In the case of loan for the Plan to which they want the public to contribute, they have issued it as tax-free. Here also Government wants the public to make contributions in order to help them develop their own planned economy. Under

[Shri Ranga]

those circumstances, why is it that they do not want to give the same kind of benefit to these people whose money is being compulsorily taken—if they fail to pay, they will be made to pay a penalty also—that they should insist upon charging tax thereupon? That is my point.

**Shri T. T. Krishnamachari:** There is nothing much for me to say because we are collecting from the people by way of loan to Government in which there is taxation.

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

“That clause 3, as amended, stand part of the Bill.”

*The motion was adopted.*

Clause 3, as amended, was added to the Bill.

**Clause 6—(Amendment of section 2) Amendment made\*.**

Page 4, for line 35, substitute

‘4. In section 2 of the Income-tax Act,—

(a) in clause (18),—

(i) for sub-clause (a), the following sub-clause shall be substituted, namely:—

“(a) if it is a company owned by the Government or the Reserve Bank of India or in which not less than forty per cent. of the shares are held (whether singly or taken together) by the Government or the Reserve Bank of India or a corporation owned by that bank; or”;

(ii) in Explanation 2, for the words, brackets and figures “any such company as is referred to in sub-clause (2) of clause (iii) of section 109”, the

words “an Indian company whose business consists wholly in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power” shall be substituted;

(b) after clause (22), the following clause shall be inserted, namely:—

“(22A) ‘fair market value’, in relation to a capital asset, means—

(i) the price that the capital asset would ordinarily fetch on sale in the open market on the relevant date; and

(ii) where the price referred to in sub-clause (i) is not ascertainable, such price as may be determined in accordance with the rules made under this Act;”;

(c) in clause (24)—. (30)

(Shri T. T. Krishnamachari)

**Shri M. R. Masani:** Sir, I beg to move\*:—

Page 5,—

omit lines 1 to 4. (104).

This would make the deposits and interest non-taxable.

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

“Page 5,—

omit lines 1 to 4. (104).

*The motion was negatived.*

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

“That clause 4, as amended, stand part of the Bill.”

*The motion was adopted.*

Clause 4 as amended, was added to the Bill.

Clause 5 was added to the Bill.

\*With President's recommendation.

**Clause 6—** (Amendment of section 10)

*Amendments made\*:*

(i) Page 5, line 20, for "following sub-clause", substitute "following sub-clauses". (31).

(ii) Page 6, for line 9, substitute—

"any other case:

(x) any sum due to or received by him, during the twenty-four months commencing from the date of his arrival in India, for undertaking any research work in India, provided the following conditions are fulfilled, namely:—

(a) the research work is undertaken in connection with a research scheme approved in this behalf by the Central Government on or before the 1st day of October of the relevant assessment year; and

(b) such sum is payable or paid directly or indirectly by the Government of a foreign State or any institution or association or other body established outside India;" (32).

(Shri T. T. Krishnamachari).

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

"That clause 6, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 6, as amended, was added to the Bill.*

*Clauses 7 to 9 were added to the Bill.*

**Clause 10.—** (Amendment of section 40).

**Shri U. M. Trivedi** (Mandsaur):

Sir, I beg to move\* :—

Pages 8 and 9,—

omit lines 29 to 39 and 1 to 8, respectively. (3).

**Shri T. T. Krishnamachari:** Sir, I beg to move\* :—

(i) Page 8, line 31, after "any expenditure", insert "incurred after the 29th day of February, 1964". (33).

(ii) Page 8, lines 38 and 39, for "the 29th day of February, 1964" substitute "the aforesaid date". (34).

(iii) Page 9, for line 2, substitute—

"any payment by way of gratuity or the value of any travel concession or assistance referred to in clause (5) of section 10 or passage moneys or the value of any free or concessional passage referred to in sub-clause (i) of clause (6) of that section or any sum referred to in". (35).

**Shri U. M. Trivedi:** Sir, in moving this amendment I would like to offer some criticism of the way in which this amendment is being pushed into the Income-tax Act. For a long time we have been giving exemption from taxation to such expenditure as was incurred by the various companies or employers where any expenditure was incurred directly or indirectly in the provision of any benefit, amenity or perquisite, whether convertible into money or not, to the employee. I do not see what has goaded the Government to make this amendment. Is it that the Government has felt that a lot of money has gone away by way of taxation on account of this or is it because the Government desires to make inroads into every private concern? Do they find that there are not sufficient inroads and the inroads must be greater and greater still by virtue of this provision? When this provision was brought into the picture, the Government said that any payment would have been payable "(including any sum paid by the com-

\* With President's recommendation.

[Shri U. M. Trivedi]

pany in respect of any obligation which but for such payment would have been payable by such employee), to the extent such expenditure exceeds one-fifth of the amount of salary payable to the employee for any period of his employment after the 29th day of February, 1964". Why has this limitation been put as one-fifth of the total expenditure? I have not been able to follow that correctly. Bonus has been paid to employees by the millowners at various places. In Ahmedabad, particularly, the bonus paid to the employees is of a very high type. Is it that some sort of double taxation is being envisaged and therefore this is being pushed through? Once this exemption is withdrawn and a particular limit is put upon it, the further amount will be taxed there and in the hands of the employee also. That means, a sort of double taxation will result. That is why I was feeling that it is an entirely new provision, limiting the amount of deduction admissible to companies for expenditure incurred by them in providing perquisites to their employees to the extent of 20 per cent of the salary of each employee. Under the Budget proposals expenditure in excess of this will be disallowed in the company's assessment. That has already been made. There is an element of injustice in this proposal for it would amount to triple taxation as follows. Firstly, it is disallowed in the company's assessment and therefore the company has to pay tax on it; secondly, the employee also has to pay tax on it as recipient of the perquisite; thirdly, the employee will also have to pay expenditure tax on these items. The proposals, if implemented, will give rise to serious hardship. For instance, in the bigger cities, like, Calcutta—I am talking of Ahmedabad—the rent for a flat is of the order of Rs. 300 to Rs. 1,000. Thus, free accommodation alone could easily work out to more than 20 per cent of the salary. If executives of the right calibre are to be employed, they have to be provided

with free board, housing and conveyance. These are no longer luxuries but are necessities.

Similarly, in all cities the problem of providing housing accommodation to the employees is growing and rents are going up and up. Therefore this putting down of the limitation to 20 per cent on perquisites for exemption and the rest not being exempted will create very great difficulties for employees and for the employers also. It will necessarily create headache for those who are going to assess the tax and for those who are going to render the accounts. I, therefore, see no reason whatsoever for putting in a measure which will only bring hardships upon the already hard-pressed assesseees. The difficulties of assesseees are so many that they do not probably come to the notice of the hon. Minister. The income-tax officer in many instances goes on having assessments made against even the defunct companies and even against the persons who have no business whatsoever, who have been completely ruined by the taxation that has been levied upon them by the Income-tax Department and whose every property has been sold and who have nothing left with them, who are merely beggars in the streets. Yet those people are taxed saying, "You have supplied so many things to your employees and here is this taxation upon you." These difficulties which are being felt by the assesseees are already too numerous to be counted. I, therefore, say with all the emphasis at my command that for God's sake do not create more difficulties for the assesseees, which have already entered into every walk of life, for purposes of harassing the people, in this little walk of life where you allow a little indulgence to pay something to an employee. This is a relation between an employer and an employee only to keep the employee pleased to go on working. Here also if you impose this limitation, the employer will not be allowed to please the employee to the extent he wants to please him and keep him in proper employment and

also you will not allow the employee to please his own employer because he will ask for certain perquisites and he will not get the perquisites because the man will be taxed both ways. I, therefore, say that this amendment ought to be strongly opposed and I oppose it.

**Shri Himatsingka:** There is an amendment No. 126 in my name.

**Mr. Speaker:** But he did not stand up then. All right.

**Shri Himatsingka:** I beg to move: \*  
"Page 8, line 37,—  
for "one-fifth" substitute "two-fifth". (126).

My amendment is that the limit which is being placed at one-fifth may be placed at two-fifths of the salary. As has been explained by Mr. Trivedi, the position is that the expenses incurred for conveyance and housing, these two combined, will perhaps exceed 20 per cent and, therefore, I feel that the hon. Finance Minister should accept this suggestion that the upper limit may be fixed at two-fifths. That will also be checking to a certain extent the expenditure that would be incurred. I feel that the limit of one-fifth is too low and the companies will be placed at a disadvantage as also the assessee will have to pay for the benefit he will be getting. There is no justification for putting a limitation at such a low figure.

**Shri M. R. Masani:** I would like to associate myself with the previous two speakers. This is an artificial rule of thumb. In these matters of perquisites, each case should have its own law and its own merits. To lay down a percentage like this may work well in some cases and very badly in others, and the reasons for that have been explained by the previous two speakers. Mr. Trivedi said that there will be double taxation. I would like to add that there will be triple taxation. First, the disallowing of the company expending the amount over 20 per cent. Therefore, the company has to pay tax on that part of the perquisite which is more than 20 per cent. Secondly, the employee has to

pay tax on the perquisite because it is not tax-free. Thirdly, the employee has to pay Expenditure Tax assuming that he spends more than Rs. 36,000. If this principle is a sound one, why don't the Government practise it themselves. There is no precept better than that of setting an example. Let the Ministers of the Union Government practise this principle of limiting their own perquisites to 20 per cent of their salaries.

**Shri U. M. Trivedi:** Also the State Government Ministers.

**Shri M. R. Masani:** And also the Ministers of the State Governments. What is the ratio of perquisites to salaries in the case of our Prime Minister and in the case of the Ministers of our Government? The trouble with the new exploiting, ruling class is that what is sauce for the goose is not sauce for the gander. If it is not good enough for them, I think it is not good enough for ordinary Indian citizens. If they want to set these standards, let them first put their own house in order. Let them practise this measure of self-restraint before they use police power to coerce others in doing so.

**Shri Prabhat Kar:** I oppose this amendment as moved by Mr. Trivedi. This clause relates to the section of the employees who are highly paid employees in the various establishments. The apprehension of Mr. Trivedi about the bonus and all those things does not come under this clause at all. Today, even though the perquisites are taxed, as you know, so far as the big people are concerned, they have got the ingenuity to circumvent even the present provisions of law. I put it this way. Take, for instance, today how it has been done: a motor car which is given to the officer earlier is now being completely purchased by the company and given in the name of the company and even the salary of the driver is not paid by the company but is being paid in cash to the officer which is being paid to the driver. It does not appear anywhere

\*With President's recommendation.

[Shri Prabhat Kar]

as a perquisite given to the officer. This way the officer circumvents the payment of the tax. The perquisites which are given to the big officials who generally draw fat salaries are for maintaining the establishment. I do not mind if the suggestion had been that the salary be increased and let them pay the tax on the salary and maintain that perquisite. This will never be so. The purpose for which the salary is being paid is that it is being paid indirectly by the company for the perquisites and they want relief on that although they will be enjoying the benefit. For this reason I oppose this amendment. It does not affect 99 per cent of the employees and it affects only 1 per cent of highly paid employees who are being helped by the industrialists being their own men. I oppose this amendment.

**Shri Morarka:** Instead of increasing it from one-fifth to two-fifths as suggested by my hon. friend Shri Himatsingka, I suggest, if possible, it may be one-fifth or Rs. 500 whichever is higher. The reason is this that as regards people who get high salaries, for them 20 per cent may be all right but as regards the people who get low salary, say, Rs. 700 or Rs. 800 and like that, they would be hard hit. The hon. Finance Minister may see if he could put it at one-fifth or Rs. 500 whichever is higher. I hope that will meet the ends of justice and most of the practical difficulties will be removed.

**Shri T. T. Krishnamachari:** Sir, the matter has been very carefully considered. It is one of the big loopholes of tax-evasion.

**Shri M. R. Masani:** Avoidance.

**Shri T. T. Krishnamachari:** Well, call it whatever you like.

The hon. Members who know something about Delhi know that houses are rented for Rs. 4,000 and the rent deducted from a person occupying it is just a very small portion of it. A number of houses are maintained at other places. Some amendments here, as they go on, will indicate that the question of maintenance of guest

houses, except at the place of business which is a normal thing, has to be curtailed severely. It is not often that I get valuable support from the opposition. But I am glad everywhere, what my hon. friend Mr. Prabhat Kar said I have to rely on and agree to. As he said, it is nothing in the case of these people. They can raise the salaries. In fact, we made a mistake last year. We curtailed the salaries of the people. I do not think anybody whose salaries were curtailed suffered. So, we lost nearly Rs. 3 crores there. That is why we took it away. This idea that some of us have is wrong from the point of view of society itself. Let people be paid high salaries, say Rs. 10,000, Rs. 15,000 Rs. 20,000 and like that. It does not matter. Then we know exactly what salary he gets. In fact, today, out of 13,00,000 people, nearly 600 people come under the fixed income group. There we do not lose much money except by this way. The other people who do not come under the fixed income group evade taxes or avoid taxes whichever way you call it. This is one of the fruitful ways of Government money being deflated. As Mr. Prabhat Kar mentioned, I am all for it, the high salaries. I will certainly give instructions to the Company Law Department, unless it be a very small company, saying, "Let them pay high salaries by all means, but get the taxes." The present taxation will give more margin than what the previous taxation did.

**Shri M. R. Masani:** If it is a salutary principle, the raising of salaries, why not apply it to Ministers and cut down their perquisites?

**Shri T. T. Krishnamachari:** I can tell him that we do not apply that principle because we do not have a very big money behind. The hon. Member would understand that we have come here by a sacrifice. We have not come here at the pleasure of it. Otherwise, we will not remain here with all these abuses thrust on our heads. We have not got very big firms behind us to change the nomenclature of any person

whom they want to support. We are here by making sacrifices of whatever we had. I can tell my hon. friend that if I had been in business I would command more money than he did.

**Shri M. R. Masani:** What about other colleagues of yours?

**Shri T. T. Krishnamachari:** I am representative of my colleagues and my colleagues are as good or as bad as myself. Therefore, this kind of a cheap gibe at the Ministers as to why don't you apply this to them is not proper. We come here leaving our families behind. We stay here all the time. May I tell my hon. friend that I have to work from 5.00 A.M. in the morning to 11.30 P.M. in the night? Which tycoon does it? (*Interruption*). Tycoons take the money away from the people. I refuse to permit this kind of charge against Ministers and the Members of the Congress Party.

**Shri U. M. Trivedi:** Why do you refer only to the Members of the Congress? The hon. Minister does this much work. We also do the same amount of work.

**Shri T. T. Krishnamachari:** This kind of criticism is no answer.

In America, President Kennedy proposed reduction in taxation upto 200,000 dollars. The reduction was almost virtually half and still all the businessmen opposed it. In fact, there was universal opposition against any reduction of taxation because along with the reduction of taxation the perquisite were attached. I can tell you what a very highly placed officer in the treasury told me when I was there saying, we expect to get more money by this. I believe in it. I believe, as we go on, we will certainly reduce it, the taxation on earned income. But we will not allow these things to be cheated by way of perquisites. The Minister who has come all the way from a distance of 1027 miles—it is that much Sir, from my house as the crow

flies—is not here living a lordly life. It is a miserable existence we live. The Government houses that are given to us are not fit for pigs to stay. I can tell you that I have got a much better house myself though (it is a very small one but a more comfortable one. I can sweep my floor myself without any difficulty whereas I cannot do it here. I have got to engage servants. Therefore, this kind of a gibe is of no use. And this is one of the big loopholes that we have in our tax evasion. I very firmly believe that if that 20 per cent is not enough, let them raise the salaries. There was a monetary ceiling before. We have had it. I took it away mainly because let it bear some relation to the salary. Let these people have high salaries. It does not matter. Therefore, I stick to my amendment and I press for it.

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

(i) "Page 8, line 31, after "any expenditure", insert "incurred after the 29th day of February, 1964". (33).

(ii) "Page 8, lines 38 and 39, for "the 29th day of February, 1964" substitute "the aforesaid date". (34).

(iii) "Page 9, for line 2, substitute—

"any payment by way of gratuity or the value of any travel concession or assistance referred to in clause (5) of section 10 or passage moneys or the value of any free or concessional passage referred to in sub-clause (i) of clause (6) of that section or any sum referred to in". (35).

*The motion was adopted.*

**Mr. Speaker:** I shall now put amendment No. 3 moved by Shri U. M. Trivedi to the vote of the House.

*Amendment No. 3 was put and negatived.*

**Mr. Speaker:** Is the hon. Member, Shri Himatsingka, withdrawing his amendment No. 126?

**Shri Himatsingka:** Yes.

*Amendment No. 126 was, by leave, withdrawn.*

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

"That clause 10, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 10, as amended, was added to the Bill.*

**Mr. Speaker:** Is the hon. Member, Shri Himatsingka, moving his amendment No. 127?

**Shri Himatsingka:** No.

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

"That clause 11 stand part of the Bill".

*The motion was adopted.*

*Clause 11 was added to the Bill.*

**Clause 12—(Amendment of section 45)**

**Shri T. T. Krishnamachari:** I do not move amendment No. 36. I move amendment No. 200.

I beg to move:

(i) Page 10, for lines 14 to 25, substitute—

"(2) Notwithstanding anything contained in sub-section (1), every equity shareholder to whom any shares are allotted by the company by way of bonus shall, unless such shares are issued wholly out of the share premium account, be chargeable to income-tax under the head "Capital gains" in respect of such shares on an amount equal to the fair market value

of such shares on the date next following the expiry of the period of thirty days from the date of such allotment and such amount shall be deemed to be the income of the previous year in which the date next following the aforesaid period of thirty days falls:

Provided that income-tax shall not be chargeable under this sub-section if such shares are included in the stock-in-trade of the assessee or if such shares were allotted before the 1st day of April, 1964:

Provided further that nothing contained in section 48 shall apply to the income chargeable under the head "Capital gains" under this sub-section.

*Explanation.*—For the removal of doubts, it is hereby declared that income chargeable under the head "Capital gains" under this sub-section shall, for the purposes of this Act, be treated as capital gains relating to capital assets other than short-term capital assets.

(3) Where any shares in respect of which an assessee is chargeable to income-tax under the head "Capital gains" under sub-section (2) are transferred by him before the expiry of the period of thirty days referred to in that sub-section, any profits or gains arising from such transfer shall not be included in his total income.

(4) Save as otherwise provided in sub-section (3),

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\*With President's recommendation.

nothing contained in sub-section (2) shall be deemed to".

(ii) Page 10, line 29, omit "actually". (200)

**Mr. Speaker:** Is Mr. Masani moving his amendment?

**Shri M. R. Masani:** Yes. I beg to move:\*

"Page 10,—

after line 29, insert—

"(4) Nothing contained in sub-section (2) shall apply in a case where the bonus shares are distributed in pursuance of a company's resolution passed before 29th February, 1964." (106).

**Mr. Speaker:** Is Mr. Morarka moving his amendment No. 128?

**Shri Morarka:** In view of the amendment No. 200 moved by the Government, I do not move it because my purpose is served by it.

**Mr. Speaker:** So, amendment No. 128 is not moved.

Is Mr. Gandhi moving his amendments No. 129, 130 and 131?

**Shri V. B. Gandhi** (Bombay Central South): Yes, I beg to move:\*

(1) "Page 10, lines 17 to 20,—

for "as if such shares were transferred by him at the fair market value on the date next following the expiry of the period of thirty days from the date of distribution",

Substitute—

"when such shares are actually transferred by him." (129)

(ii) "Page 10, lines 23 and 24,—

omit "or if such shares are transferred by him before the expiry of the period aforesaid" (130).

(iii) "Page 10,—

omit lines 25 to 29." (131).

Sir, the provisions for capital gains taxation have been revised rather substantially. Capital gains accruing to equity share-holders from the issue of bonus shares are going to be taxed. They are going to be taxed on the basis of some kind of a fair market value, the market value of a particular date of the issue of shares, the date being the 31st day from the date of their allotment. That will be the market value taken for the purposes of the amount of the capital gains. I might here say that I can speak on this subject with some freedom because I do not have to worry about any capital gains personally. The Finance Minister, through his amendments, has made certain refinements and has offered certain concessions. For instance, there is an exemption provided of Rs. 5000. But at the same time there is a minimum of 15 per cent. That is also provided there. There is also the announcement of the Finance Minister that shares issued from the share premium account will be exempted. Now, as I said, these are just refinements. We are thankful for what they mean to us.

But we are opposed to the whole idea of taxation of bonus shares. This basis of a national capital gain is not a tenable kind of a basis or a tenable assumption. There is for instance the case, in this case, that the capital gains will not be gains that are realised. After all, there are certain principles which are accepted principles of taxation. One of

\*With President's recommendation.

[Shri V. B. Gandhi]

such principles, it can be said, is that unrealised gains are not normally taxable. That is a kind of a basic principle.

Then, Sir, this tax that is being suggested will be in addition to the tax of 12½ per cent which is levied on companies issuing bonus shares. Then what is the *raison d'être* of this kind of a new taxation? After all, what is the value of the equity of a company? The equity of a company consists of the shares issued to the shareholders plus the reserves held by the company. Now, if a portion of the reserves held are transferred to the shareholders in the shape of bonus shares, that does not make any change in the quantum of the equity of that company. Therefore, there is very little reason for this new taxation on that basis.

Now, there is also this consideration that whenever bonus shares are issued there is a definite and ascertainable diminution in the value of the original shares which earned the right to these bonus shares. That is a consideration that has been proved over and over again. It is a statistical fact. I would say that this whole question of taxation of bonus shares has been considered by very responsible authorities in the past, authorities of the status, for instance, of the Taxation Enquiry Commission presided over by Dr. John Matthai. In 1954 this question was rather fully considered and the Taxation Enquiry Commission did not support the idea of a bonus share taxation.

Now, recently we know that there is this decision of the Supreme Court, I think last month. This decision also does not fully support the position taken by the Finance Minister in this case.

My amendment therefore suggests, or proposes, that bonus shares should be chargeable to Income-tax under the head of capital gains in respect of

such shares—only when such shares are actually transferred by the person, that is when some gain is actually realised.

Shri M. R. Masani: Mr. Speaker, I would like to endorse a great deal of what has fallen from the previous speaker. This proposed tax on bonus shares is unprecedented in the history of our tax legislation. As the hon. Member has just pointed out, all the authority that there is available is against it. So far as the retrospective nature of this tax is concerned, one is glad to see that some reason has reached the right quarters and that the attempt to make it retrospective is being abandoned. For this tiny or tardy measure of justice one should be grateful—that at least those who have already made those gains are not going to be retrospectively taxed.

But that does not mitigate the inequity of the proposal itself. The proposal is a thoroughly bad and unsustainable one. As Mr. Gandhi has quite rightly pointed out, the Taxation Enquiry Commission, in 1954 I think it was, presided over by Dr. Matthai and having Shri Vaikunthlal Mehta and Dr. V.K.R.V. Rao, a great radical, considered this proposal and rejected it. The Commission in its report unanimously recommended that bonus shares were not a fit subject for taxation, and the ground they gave was that there was no real accretion of equity or of assets in the hands of the shareholders receiving bonus shares.

In fact, Sir, a bonus share is a misnomer. Perhaps Members who know about the bonus paid to labour believe that this is some kind of a bonus given to the shareholder! That is not so. It is not something added to his shareholding. The word is wrong. I think we should properly call it splitting of shares. It really means that if you have a share worth a thousand rupees, you get two shares worth Rs. 500 each in its place. You don't keep the thousand rupees and get another five hundred. The

whole idea of calling it bonus share, therefore, creates prejudice. It was not the intention, but it is a very unfortunate thing that the wrong word has been used. In other countries it is called splitting of shares, they are not called bonus shares. There is no element of bonus at all in it and as, I sha'l show presently, the capital of the man does not increase. He has not gained by this transaction at all. The only thing is, instead of having one share, he may have one and a half or two or three shares.

So that is the reason why the Taxation Enquiry Commission rejected un-animously this very baseless proposal. That recommendation of the Commission, which was found acceptable by the present Congress Government, is now being given the go-by. What reasons there are for shifting ground like this? I do not know, except what I have described yesterday as the grabbing proclivities of the present men in office.

Let me illustrate my point that the man who is given a bonus share, as it is called, does not really get any advantage. When a bonus share is issued, the market value of the existing holding inevitably falls, because the bonus share is taken out of the present equity. The sum total of the equity does not increase; the assets of the company are the same. So, if there are twice the number of shares, then obviously the value of each share has gone down. And inevitably, after the so-called bonus share is issued, the market drops.

Let me illustrate this from some companies. Let us take some companies which issued bonus shares during the last twelve months, though that is no longer important. It could be any time. But these are recent examples of what happened. Let us take one particular case—others follow—the case of Burn & Co. Burn & Co. issued a bonus share, one bonus share for one existing share, on 27th

November, 1963, that is, last year. The value before the share was issued, that is the pre-issue value of the share of Burn & Co. was Rs. 698 for one share. The day after the bonus share was issued, the value of the share dropped sharply to Rs. 330— from Rs. 698 the value dropped to Rs. 330, less than half. In other words, the man who was given the bonus share had Rs. 660, instead of Rs. 698, as a result of the issue of the share, far from gaining he had lost. Then, what is more interesting, one month later, thirty days after this transaction, the value of the share further dropped to Rs. 313. So his assets dropped to Rs. 626 in place of Rs. 698. In other words, he lost Rs. 72/- in the transaction. Well, that was his choice. His company made the splitting of shares and he had to take it. But he lost Rs 72/- of his assets as a result of being given, what is called, bonus shares.

What would be the effect of this ridiculous provision in our law, which we are about to pass without understanding what we are doing. The effect will be that he will be taxed for making this loss. According to the Bill as it now stands, it is prescribed that a man whose two shares are worth less than his one share before, has made an imaginary, fictitious, bogus capital gain of Rs. 313/-. The whole value of this new share Rs. 313/-, will now be considered as a capital gain, as if somebody has given a gift of the new share of Rs. 313/-. On that, since the rate is 25 per cent, he will pay about Rs. 78/- as, tax on the bogus gain. The man who has lost Rs. 72/- will be taxed on the imaginary gain and will now be made to pay Rs. 78/- on the top of his loss. This, Sir, is what we call a budget. This Sir, is what we call civilised law-making. That is why they may be described as a set of buccaneers, not a set of civilised legislators.

**Shri Ranga:** It is highway robbery.

**Shri M. R. Masani:** My hon. friend is right. It is highway robbery.

**Shri T. T. Krishnamachari:** Is my hon. friend seeing his figure in the mirror?

**Shri M. R. Masani:** Let me proceed now. This is not just one case. This is a representative case. I shall now give the names of five other companies where the situation is parallel, though not in such a very clearcut form. Here are other bonus shares and each of the shareholders makes a loss, each of whom my hon. friend now, in similar cases, proposes to tax for an imaginary gain. The other companies are the following.

Indian Aluminium—bonus share issued on 21st November 1963; Maharashtra Sugar—bonus share issued on 8th July 1963.

**Shri T. T. Krishnamachari:** They won't be taxed now.

**Shri M. R. Masani:** But this year they would have been taxed. Only a lunatic will now issue bonus shares.

**Shri T. T. Krishnamachari:** May I tell my hon. friend that Indian Aluminium shares which have been issued under the share premium will not be taxed on any account?

**Shri M. R. Masani:** I am not interested in the names of these companies. I am giving examples to show the absurdity of this law. If it had been applied retrospectively, this would have happened and it will happen to any company if it is mad enough to issue bonus shares after this budget.

Indian Aluminium was the second company. Maharashtra Sugar—bonus share issued on 8th July 1963. Indian Vegetables—bonus share issued on 30th May 1963. Guest, Keen and William—bonus share issued on 21st November 1963. There is one case where there is a slight appreciation. There are such cases sometimes. It is in the case of New India Industries—bonus share issued on 10th July 1963. The profit

was small. Under this dispensation the tax would be many times the marginal profit. I am not saying that there is always a loss. But it is normally a loss for the reason I explained that when a share is split into two, through the face value remains static, psychologically sometimes of the share goes down. In all these cases if they were to take place in the coming 12 months, this enormity will be perpetrated without any capital gain at all and an imaginary gain will be created and the man will be taxed. The result of this will be that there will be no more bonus shares. Whether this is good for industry or not, I do not know. It was a facility which industry evidently appreciated and this is taken away to no purpose; and nobody is going to issue any more bonus shares. It is just one more bit of harassment to those who carry on the country's work.

After this very clear case, you will not be surprised to know that in other countries they have shown greater sense. I may draw your attention to the U.K. Finance Act of 1962 where a tax is levied on short-term capital gains. But there, in order not to create this difficulty for the shareholders of bonus shares, paragraph (10) of the Ninth Schedule of that Act provides that a bonus share will be deemed to have become the capital asset of the shareholder on the day on which the original share had become his capital asset. In other words, the new share becomes part of his capital asset. There is no tax whatsoever on the shareholders at the point of issue of the bonus share. This is what is called justice.

The Finance Minister has brought in an amendment—amendment No. 36. I do not think it is very fair. I shall assume that this amendment No. 200 will include all the material contained in amendment No. 36. From one point of view, this amendment makes the position worse.

The Supreme Court gave a judgment in Dalmia's case about a month ago, I am told last month, the result of which was this that the shareholder would be allowed to average his cost when he receives bonus shares, and therefore if one bonus share is issued for three, the cost of the bonus share will be one-fourth of the original cost of the three shares. The amendment now moved by my hon. friend, the Minister, would deprive the shareholders of even this little benefit or justice because they would not have the benefit of averaging the cost. This is implicit in the Supreme Court's recent judgment. This amendment will put the shareholders in a worse position than if the judgment of the Supreme Court were allowed to continue. I must point out that the amendment on this particular point is not even as fair as the original clause was. On the other hand as I started by saying, there is a measure of minor justice in this particular taxation not being made retrospective. It would be very cruel if people were taxed on imaginary capital gain with retrospective effect. That would be against the principles of elementary justice. I am very glad that the Finance Minister has relented on this point because it will now apply only in future. But, as I said, the result will be that no more bonus shares will be issued and no more money come into the kitty.

**Shri Morarka:** I am grateful to the Finance Minister for moving his amendment No. 200. I feel that this amendment takes away most of the criticism that could be made against this clause.

**Shri M. R. Masani:** Question.

**Shri Morarka:** Now it would be, for the persons, for the company directors to issue bonus shares or not to issue bonus shares because they know what tax payable if they issue bonus shares. The right of tax of the Government is absolute. Since it is optional for the assessee to issue or not to issue these shares I do not think any hardship will be caused.

So far as the actual implication is concerned, Shri Masani's point has one loophole. He says that there is no actual benefit to the recipient of the bonus shares. I will ask him this question. Suppose in place of bonus share, the shareholder gets dividend. Would he be taxed on the dividend or not? Dividend will be taxable as the full rate of income-tax, whereas on bonus shares he does not pay full income-tax. If this provision is not there what will happen is that in lieu of dividend, the companies may issue bonus shares and thus the shareholders would not have to pay any tax on the bonus shares. They will have to pay tax only on that amount of dividend, which they receive in cash.

The real point which Shri Masani did not point out, but which exists in this provision is this: if and when a company goes into liquidation, the bonus shares are treated as dividend and at that time income-tax is charged on that amount. I think this is one point which the hon. Finance Minister may take into consideration. It is very rare that companies which are in a position to issue bonus shares go into liquidation. I concede that. But the Finance Minister may take into consideration even that theoretical possibility and make a suitable provision. My hon. friend said that such a provision did not exist anywhere. I think that such a provision does exist in Germany. There, they do tax the bonus shares.

But, here again, what happens is that first of all, there is a tax which the company has to pay when it issues the bonus shares, and then the person who receives the bonus share has to pay the tax again. I think that it would be appropriate to tax the person who receives the bonus shares but not the company. If we want to discourage the issue of bonus shares, the proper thing would be to tax the shareholder but exempt the companies.

But I think that the whole discussion on this clause is now theoretical,

[Shri Morarka]

because this tax would not apply retrospectively to the past years. As for the future, neither the companies are under any obligation to issue the bonus shares, nor are Government under any obligation to permit the issue of bonus shares. If it is the policy of Government not to allow bonus shares, the easiest thing for them to do is not to give permission. I think that Government could have done well even without bringing forward this measure, by refusing permission for the issue of bonus shares. But they want to keep some elasticity in this and some flexibility in this so that those who want to pay this amount of tax and still issue the bonus shares could do so. To that extent, I think this provision is all right.

Now, I want to have one or two clarifications from the hon. Minister. The shareholder pays the capital gains tax today when he receives the bonus share. Suppose after a year or so he sells the bonus shares and actually incurs a loss, would that loss be allowed against his regular income, or would that be treated as capital loss? That is one point which the hon. Minister may clarify when he replies to the discussion on this clause.

The second point is what Shri M. R. Masani has made, and that relates to a case where the value of the original shares falls. That is quite true because the same amount of assets is then distributed among the original shares plus bonus shares. So, while charging capital gains, you must take into account, the fall in the price of the original shares also. But I would repeat that in view of amendment No. 200 tabled by the hon. Minister, much of the stings in this provision has been taken out. Now, it is for the company and the Government both to see whether the bonus shares are to be issued or not.

In conclusion, I must say that if it is the policy of Government to en-

courage the ploughing back of the funds in the companies, then the only way they can implement that policy is by allowing the bonus shares, for, on the dividend they charge a dividend tax. If they do not allow even the bonus shares, then why would anybody invest in the corporate sector? One does not invest in the corporate sector simply for the sake of national satisfaction. One expects some return, either in the form of bonus shares or in the form of dividends.

So, I hope that the hon. Finance Minister would examine these points and try to improve this clause.

**Shri Himatsingka:** I would like to add just one word in regard to the bonus shares proposed in the Bill. As has been pointed out, the value of the original shares for which the bonus shares are issued generally goes down after issue. The provision is that price of bonus shares will be taken as on the thirty-first day of issue. If that takes into account also the fall in the price of the original shares, the inequity of this provision will go.

Therefore, I feel that the provision that exists at present, namely that bonus shares will be taxed when sold, is the safest proviso, because then the price will have been adjusted between the value of the original shares and the bonus shares.

**Shri U. M. Trivedi:** I oppose this amendment, because I do not see the propriety of this amendment. I do not know why this amendment, is necessary, and why the general mass of people who want to invest in share capital should be deprived of the little benefit that they deprive from this. Bonus shares are a sort of attraction for those who are investing their small moneys in the private sector. If we do away with the bonus shares by making this amendment, then a company will always be reluctant and the shareholders will also be reluctant for the declaration of bonus shares. Unless and until the shareholders favour the declaration of bonus shares, bonus shares cannot be

declared, and if bonus shares cannot be declared, it means that the people will be deprived of the bonus shares that they are going to get.

The reason why they will oppose this is this. On the one hand, there would be fragmentation of their capital or rather the value of their share, and on top of it, they will have to pay a heavier tax than what they would have had to pay on account of declaration of dividends. Although the corporation tax that is levied on dividends on shares is of a very high order, still people are entitled to get refunds. But in this case when the capital gains are there, and the capital gains are based on a notional value, the taxation will be very high on capital gains. The illustrations which my hon. friend Shri M. R. Masani gave were really illustrious ones, to this effect namely that although there would be no appreciation of capital in the proper sense, on the one hand the value of the original shares will go down, and on the other hand, it will be treated on the basis of a notional value or a fiction, and a particular market value will be attached to it and that market value will itself be treated as capital gain which will be taxed with capital gains tax at the rate applicable to capital gains tax. Therefore, the total capital of the man would fall to the ground as a result of this taxation. It looks as if Government are saying 'What is mine is mine, and I am going to share in that which is yours'.

This sort of tendency to grab and this kind of mentality to get more and more and squeeze more and more out of the people somehow must cease on the part of Government. We have got a saying in Hindi that:

आंधो नीरू बनीय फल चोरीयाँ रस दय ।

This Government probably believe in this theory that the more they squeeze the middle-man, the more profits they would get. But then there would come a time when the middle man would become bloodless. I do not think that Government's idea is to squeeze the middle-man's blood.

This method of squeezing is not going to affect many big people, but it is going to affect only the smaller people, and it will create difficulties for purposes of taxation also.

In these circumstances, on principle, I feel that it would be better for the Finance Minister to drop the idea of putting this measure on the statute-book.

**Shri Prabhat Kar:** After listening to Shri M. R. Masani it appeared to me that at least what the Finance Minister was doing was right, because he was creating an atmosphere in which no company would be issuing bonus shares, and to that extent, the equity shareholders would be benefited. So far, as my hon. friend Shri M. R. Masani has pointed out, whenever a company issues bonus shares, the shareholders entertain some loss, but because of the proposed measure, there would be no incentive to issue bonus shares, and to that extent the shareholders at least will be saved from this loss. My hon. friend has given a number of examples to show how as a result of the issue of bonus shares, every where the prices had gone down, and the shareholders had to suffer a loss of about Rs. 70 to Rs. 75 in each case.

Under the proposed provision, there will be some more taxation on these losses, and naturally that will have a deterrant effect on the company issuing bonus shares. I was wondering why if this had been the case, the shareholders had not resisted the issue of the bonus shares, for, in every case of the issue of bonus shares, they had been entertaining losses.

As pointed out by Shri Morarka, the amendment table by the hon. Finance Minister a little while ago, namely amendment No. 200, sets at rest all the controversy about the past, about which there had been genuine apprehensions namely, that the bonus shares which had been issued earlier might be taxed again. The taxation on past issue of bonus

[Shri Prabhat Kar]

shares would be wrong, and that has gone now. Hereafter, if a company issues bonus shares, it will issue it with the proper understanding, and therefore, it will be left to the company to decide whether it will issue the bonus shares. So no one will be unnecessarily taxed without knowing previously what is going to happen as a result of the issue of bonus shares. The only point, as Shri Morarka has rightly said, is that in case dividends were increased, they would have paid the tax. Instead of that, bonus shares are being issued. The rate of dividends is maintained at a certain level.

15 hrs.

Therefore, nothing very much wrong is being done by the Finance Minister. Every criticism that could be made against the bonus share tax by any interested party has been taken away by amendment No. 200. Therefore, I think that amendments should be accepted.

..Shri T. T. Krishnamachari: Many harsh words were uttered in regard to the Government, in regard to this particular measure. We on this side of the House are not at fortified with the knowledge as my hon. friend opposite. He has a very large support behind him, every firm having its own statistician and research scholar, apart from his own organisation. Nonetheless, I may claim some little knowledge of taxation. I have been applying my mind to this question of taxes from 1956. Even during the time when I was in exile, when I had no hope of coming back, it happened to be one of my pleasures to work sums and see what things are like.

Therefore, it is not as if we are entering into this proposal that I have put before the House, with a sort of blind eye, without knowledge of the facts.

Members who are familiar with joint stock companies know that this

is a tug-of-war between the income tax authorities and joint stock companies. The former are trying to plug the loopholes and every time something is done, the joint stock companies get away with it. For instance, the idea of 23A companies, of which we will hear more later on, being taxed differently, that is to say, compelling them to distribute a large portion of their profits as dividends arises on the same motive as my hon. friend, Shri Morarka, mentioned, namely, if they are put into reserves, then the reserves could be manipulated and distributed without taxation. In fact, I know that formerly, before the capital gains tax came, many private limited companies used to go into liquidation. I know one particular managing agency in Madras, a very big firm, a European firm, had gone into liquidation four-times, and then started again, not because anybody was winding it up but because as it went into liquidation, the assets were distributed among shareholders, a small body of people. Then they start things with fresh capital. Moneys are put into reserves, and then again the same thing happens. So the tricks of the trade are better known to them. But people outside know how it is operated. It is a question of continuous pull one way or the other.

Therefore, on this question of bonus shares, as my hon. friend, Shri Morarka rightly pointed out, if the money had not been put into reserves, but distributed as dividend, then we would have got the tax on the dividend. In the case of a rich person, we would have got a bigger tax. If it is a small man, it does not matter. He will not pay even now.

My hon. friend, Shri U. M. Trivedi, strays into a field with which he is not very familiar. He says the small man would be hit. How could the small man be hit? The small man is protected by the Rs. 5000 cover. He is protected by the fact if he gets any capital gains,

and if the income is not Rs. 10,000, he won't be affected. Small men are taken care of. But it is the big men that really count.

An instance was mentioned, of course, an isolated instance, of a particular company which is fairly closely held; and their shares dropped. Yes, they wanted it to drop. They would get the benefit under wealth tax.

What will happen in the future is not that there will be no bonus shares. Probably they want to issue one for one. They will issue it, next year. They will issue it the year after. We will find the spectacle of shares coming in one for five. So that, the attraction will not be very great and the losses will not be very great.

The idea that there is going to be any big loss is not correct, because the moment an announcement is made that there is to be a bonus issue, the share values go up. That Shri Masani won't tell us, because it does not suit him to. If a company announces that there is going to be a bonus issue, the share value goes up. When the bonus share is issued, then the share value comes down. I agree. It does. Not always, as he said, in the case of Burn and Co.

So ultimately, there is an equalisation. As my hon. friend, Shri Morarka, said, we have taken away the tax on bonus issue last year. Now it is only for the future. As I said, they will manipulate it in such a manner that the burden will be small. The amount of bonus issues in the hands of people would be such that the tax that is attracted will not be very heavy.

I can also tell the House that we have not tackled this question of evasion of taxes by stockholders. I know of one particular individual or firm in India who, according to my information, has the largest amount of equity holding in India. But

they do not pay any tax on dividend, because they are perfect masters in the act of what they call bond washing. It is held in different names at different periods and changed. Before the dividend is declared, it passes on to somebody. The moment dividend is declared, it comes back. Of course, it is going to be a big task for the income tax authorities to catch this kind of thing. But I can tell you the amount of loss to Government is colossal. I am perfectly certain that if we could catch this bond washing, there might be another Rs. 50 crores coming to Government.

As Shri Morarka mentioned, we have exempted all bonus issues in regard to share premium account. In future, even the tax on bonus issues on the company on share premium account will not be there; it is only on the regular issue which is a capital gain, which adds to their wealth.

Also, hon. Members must look into the new scheme I have proposed by my amendment No. 200. Shri Prabhat Kar did not look into it. He will find that in the middle and small income groups' capital gains, the levy will be less than before. The question of adding the capital gains on to the income and then arriving at the rate and then taxing the capital gains has been removed. Long-term capital gains will not be added and we take the percentage of the tax on the income and then it will be levied on the capital gains, subject to a minimum of 15 per cent and subject also to Rs. 5,000.

So far as this is concerned, on capital gains as a whole, the amended version is something which benefits the people. I am not anxious to load it up. I merely want to plug the loopholes and see what it is like. Therefore, the small income group won't pay anything. Middle income groups will not probably pay more than 15 per cent minimum. It is cer-

[Shri T. T. Krishnamachari]

tainly not going to kill anybody or drive them away.

I can tell you that even after this Bill has been introduced, there have been applications for bonus issues. In fact, I said if they want to issue it, they can issue it. But one type of bonus issue I am not permitting. Bonus issue of managing agency companies is not being permitted, because there is patent evasion. A managing agency is a small concern held by a few people. If they put their money into reserves and issue it as bonus, we are not going to permit it. When they break up, we will take the value.

One point Shri Morarka mentioned came to my understanding when I was looking into all this. I think it is an anomaly. I cannot amend it now because it will be a new section. What happens is that when there is a genuine liquidation of a firm, the present law makes the recipient of the money pay tax on the entire amount received, even though it is capital. This happens today because of several electricity companies which have been taken over by Government and the parties have to go into liquidation. The moneys that have been put in there were got by them probably as dividends or bonus issues, or whatever it is. They have to pay the full tax. In any case, for a person with an average income, it is a very heavy loss. I think that will be looked into. I am looking into the matter further. If there is a hardship to the genuine investor because of a liquidation of a company, not due to circumstances of bad management, but due to some governmental policy, I think some kind of benefit should be given. I am looking into the matter, but I think the clause as amended is fair, and I think it also tries to plug the loopholes that exist in the present law.

Therefore, I am unable to accept any of these amendments.

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

(i) Page 10, for lines 14 to 25, substitute—

“(2) Notwithstanding anything contained in sub-section (1), every equity shareholders to whom any shares are allotted by the company by way of bonus shall, unless such shares are issued wholly out of the share premium account, be chargeable to income tax under the head “Capital gains” in respect of such shares on an amount equal to the fair market value of such shares on the date next following the expiry of the period of thirty days from the date of such allotment and such amount shall be deemed to be the income of the previous year in which the date next following the aforesaid period of thirty days falls:

Provided that income-tax shall not be chargeable under this sub-section if such shares are included in the stock-in-trade of the assessee or if such shares were allotted before the 1st day of April, 1964:

Provided further that nothing contained in section 48 shall apply to the income chargeable under the head “Capital gains” under this sub-section.

*Explanation.*—For the removal of doubts, it is hereby declared that income chargeable under the head “Capital gains” under this sub-section shall, for the purposes of this Act, be treated as capital gains relating to capital assets other than short-term capital assets.

(3) Where any shares in respect of which an assessee is

chargeable to income-tax under the head "Capital gains" under sub-section (2) are transferred by him before the expiry of the period of thirty days referred to in that sub-section, any profits or gains arising from such transfer shall not be included in his total income.

- (4) Save as otherwise provided in sub-section (3), nothing contained in sub-section (2) shall deemed to"

(ii) Page 10, line 29, omit actually\* (200).

*The motion was adopted.*

**Mr. Speaker:** What about amendment No. 106.

**Shri M. R. Masani:** I withdraw my amendment, because so far as the retrospective part of it is concerned, the purpose of the amendment has been accepted by the Minister.

**Mr. Speaker:** Has he the leave of the House to withdraw it?

**Hon. Members:** Yes.

*Amendment No. 106 was, by leave, withdrawn.*

**Mr. Speaker:** Amendments No. 129 to 131.

**Shri V. B. Gandhi:** I withdraw them.

**Mr. Speaker:** Has he the leave of the House to withdraw them?

**Hon. Members:** Yes.

*Amendments Nos. 129 to 131 were, by leave, withdrawn.*

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

"That Clause 12, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 12, as amended, was added to the Bill.*

**\*New Clause 12A**

**Shri M. R. Masani:** I beg to move:

Page 10,—

*after line 29, insert—*

*'12A. Amendment of section 47.—*

*In section 47 of the Income-tax Act, after clause (iv), the following shall be inserted, namely:—*

*"(v) any transfer involved in any of the cases dealt with in clause (v) of sub-section (2) of section 55." (107)*

If I may explain for just one minute, the amendment which proposes new Clause 12A is really consequential to Clause 14 of the Bill.

15.15 hrs.

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

As I understand it, and the hon. Minister will correct me if I am wrong, the capital gains arising on the sale of shares acquired upon a reorganisation should be calculated by deducting the cost of the original shares, but unfortunately Clause 14 does not expressly provide that the mere conversion on reorganisation of share capital would not involve liability of capital gains tax.

If I have understood the intention aright, Clause 12A, as I have suggested it, would make this perfectly clear, and we will all know where we stand. Therefore, if I am right, I hope the hon. Finance Minister will be pleased to accept this consequential amendment to Clause 14.

\*With President's recommendation.

**Shri Himatsingka:** I beg to move:\*

Page 10,—

After line 29, insert—

'12A. Amendment of section 49.—In the Income tax Act, section 49 shall be re-numbered as sub-section (1) thereof and clauses (ii) and (iii) (a) shall be omitted and after sub-section (1) as so renumbered, the following sub-section shall be inserted, namely:—

“(2) Where the capital asset became the property of the assessee—

- (i) under a gift or will;
- (ii) by succession, inheritance or devolution, and in respect of the property, gift tax or estate duty as the case may be, became payable, the cost of acquisition of the asset shall be deemed to be the amount at which the property was valued for purposes of gift tax or estate duty as the case may be.”<sup>1</sup> (132).

Section 49 of the Income-tax Act provides how a capital asset received by distribution of assets or under gift or will is to be valued, and the provision is that the cost of acquisition of the asset by the previous owner shall be deemed to be the cost in the hands of the assessee. Supposing the asset was acquired say 50 years before, and it is now transferred by will or gift, the tax has to be paid, gift tax or estate duty, on the basis of the present value. Therefore, I feel that there should be a provision that the value of such asset in the hands of the assessee who gets it by gift or succession after a long time, and on which the tax is being levied on the basis of the present value, should be the amount on

which the tax has been paid to the State by way of estate duty or gift tax, and therefore I have moved my amendment. I think this is a provision which should be accepted. I hope the Finance Minister will consider and accept it.

**Shri Morarka:** On a point of clarification, I do not find the sub-section in the Income-tax Act which Shri Masani referred to, namely clause (iv) of sub-section 2 of section 55.

**Shri T. T. Krishnamachari:** Now it is being introduced.

That is exactly my difficulty. We are introducing sub-clause (iv) and sub-clause (v) to sub-section 2 under this amendment. I really cannot understand it.

**Shri M. B. Masani:** If I may explain, this is an amendment suggested to section 47 of the Income-tax Act. If this is accepted by you, on page 46 of the Income-tax Act, you would have a fresh sub-clause which would add the words, “any transfer involved in any of the cases dealt with in clause (v) of sub-section (2) of section 55”. This is a technical matter and this intends to carry out the implied, though not express, purpose of Clause 14 of the Bill as it now stands.

**Shri T. T. Krishnamachari:** My legal advisers have the same difficulty of not being able to understand the import of what it is, because sub-section (5) of clause 14 is sufficiently comprehensive, and I cannot understand or really appreciate it. So, it is very difficult for us to accept and adopt any amendment, because we do not know what the effect of it would be.

**Shri Morarka:** In any case, it is out of order. Section 47 of the Income-tax Act is not under amendment.

**Shri T. T. Krishnamachari:** That does not matter.

\*With President's recommendation.

**Shri Morarka:** It has been ruled by you Sir, previously that no amendment can be moved to a section that is not being amended.

**Shri T. T. Krishnamachari:** I am not standing on the strict letter of the law, but the real point is we cannot understand what it is.

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

Page 10,—

after line 29, insert—

'12A. Amendment of section 47.—In section 47 of the Income-tax Act, after clause (iv), the following shall be inserted, namely:—

"(v) any transfer involved in any of the cases dealt with in clause (v) of sub-section (2) of section 55." (107).

*The motion was negatived.*

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

Page 10,—

after line 29, insert—

'12A. Amendment of section 49.—In the Income-tax Act, section 49 shall be re-numbered as sub-section (1) thereof and clauses (ii) and (iii) (a) shall be omitted and after sub-section (1) as so re-numbered, the following sub-section shall be inserted, namely:—

"(2) Where the capital asset became the property of the assessee—

- (i) under a gift or will,
- (ii) by succession, inheritance or devolution, and in respect of the property, gift-tax or estate duty as the case may be, became payable the cost of acquisition of the asset shall be deemed to be the amount at which the pro-

perty was valued for purposes of gift-tax or estate duty as the case may be." (132).

*The motion was negatived.*

**Mr. Deputy-Speaker:** I shall put clause 13 to the House. There are no amendments.

**Shri M. R. Masani:** I would like to say a word on this.

The purport of this clause is that where a capital asset is transferred for a price, and the fair market value exceeds that price by not less than 15 per cent, the tax authorities are entitled to tax the transaction as if the seller receives the full market price of the asset.

There are several objections to this provision. One is that it is the practice of partnership firms to provide in their agreements for the valuation of the goodwill and other intangible assets of the firm on a certain fixed basis. Some of these partnership agreements had been entered into 30, 40, 50 years ago, and the goodwill price fixed then bears very little relationship to the value at the date when the transfer takes place, which is for instance on the retirement or death of a partner. Surely, it is not suggested that the agreed valuation of the goodwill under the partnership agreement between the two partners as a mere domestic arrangement in which the public is not at all interested and made in the interests of the partnership, should be called into question by the tax authorities for the purpose of capital gains?

Similarly, assets are often held by a person subject to pre-emption and other rights in favour of a third party under a *bona fide* and genuine agreement made well before the transfer of the asset, and under that, the transferor is compelled to transfer the assets at a price which would have been fair at that time when the right came into existence, but in a developing market that price may be

[Shri M. R. Masani]

substantially lower than the market price. So, obviously in such a case, the asset is subject to this right, and should be valued subject to the right, and not as if the right of pre-emption did not exist. It should not be the fair market value.

There are two ways of entering into such a transaction: one is that you act in the ordinary course of business, and the other is that you enter into these things with a view to avoiding the tax. Where the latter is concerned, I have nothing to say. Where the purpose of such a transaction is to evade tax, certainly there should be a remedy, but I must point out that the clause as drafted would affect perfectly normal, *bona fide* transactions entered into a long time ago, and it should not apply to such transactions.

**Shri T. Krishnamachari:** The hon. friend opposite has taken an extreme case a notional case. This amendment seeks to deal with a commonly known occurrence. Today practically every transaction of the sale of property is for a much lower figure than what is actually received. The deal of registration mentions a particular amount; the actual money that passes is considerably more. It is to deal with these classes of sales that this amendment has been drafted. While the registration authorities may lose the money, that is, registration fees, Government should at least be able to get hold of these persons who had paid money which is not accounted. If a man has to give a cheque, he will give a cheque for some amount and also some cash besides. Then we would not know what the cash is. So, the fair market value will be assessed and if there is a difference in it, the tax will accrue. Even respectable people who purchase houses sometimes have this difficulty. I do not mind saying that it is a commonly known thing. It

does not aim at perfectly *bona fide* transactions or sale of goodwill or something which is very remote or some transaction of a partnership firm but essentially relates to the day-to-day occurrences that are happening before our eyes in regard to the transfer of property. I think this is one of the key sections that should help us to defeat the free play of unaccounted money and cheating of the Government. I am therefore unable to appreciate the point made by Mr. Masani.

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

"That clause 13 stand part of the Bill."

*The motion was adopted.*

*Clause 13 was added to the Bill.*

**Clause 14—(Amendment of section 55).**

**Mr. Deputy-Speaker:** We shall take up clause 14. Is Mr. V. B. Gandhi moving his amendment No. 133? Is Mr. Himatsingka moving his amendment No. 134? No. They are not moved. There is one Government amendment—No. 37.

*Amendment made:\**

**Page 11, for lines 7 to 13, substitute—**

'(iv) where the capital asset, being a share of a company, was allotted to the assessee by way of bonus and the assessee is chargeable to income-tax under the head "Capital gains" in respect of such share under sub-section (2) of section 45 and such asset is transferred after the expiry of thirty days referred to in that sub-section, means the fair market value of the asset on these date next following the expiry of the said thirty days.' (37).

(Shri T. T. Krishnamachari)

\*With President's recommendation.

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

"That clause 14, as amended, stand part of the Bill."

*The motion was adopted.*

Clause 14, as amended, was added to the Bill.

Clause 15 was added to the Bill.

**Mr. Deputy-Speaker:** We shall take up clause 16.

**Clause 16—**(Insertion of new section 69A).

**Shri Kashi Ram Gupta:** Sir, I move\* my amendment No. 108 to this clause.

Page 12,—

after line 8, insert—

"Provided that so far as jewellery, bullion and other valuable articles are concerned, belongings of wife and other women members of an assessee's family, shall not be deemed to be in the ownership of the assessee:

Provided further that while determining his discretion in respect of ownership, the Income-tax Officer shall work in a prescribed manner and under prescribed rules framed for the purpose by the Central Board of Revenue." (108).

My amendment is a simple one. The custom at present is that the business people put in their *tazoris* the ornaments of their wives and family members. They have no entries in the cash books at all. Whenever the income-tax officer questions them it will be difficult for them to prove. Therefore, I have suggested two things. Firstly, it should be clear to the income-tax officer that the ownership of any ornament or valuable belonging to the wife or the females of a Hindu joint family should not be called in question. The second thing is that the income-tax officer should be guided properly by the

rules. Suppose he says that it is his property, he can say so. Till now the practice has been that they did not enter these things in their cash books at all. They did not think it is the business property. So, unless this amendment is accepted, the assessee will be badly harassed. This power will be misused by the authorities in so many ways because after all all sorts of persons are there as ITOs and we have to take into account the ordinary people. The small business men who have kept small capital keep their cash books in a peculiar form. All the contractors have not got the kind of books. This will also create difficulties to the ITOs. So, I request the hon. Ministry to accept my amendment.

**Shri Bade (Khargone):** Sir, I also support this amendment. This is a pure and simple section of the Income-tax Act and it should not be in the Finance Bill. It says:

"Where in any financial year the assessee is found to be the owner of any money, bullion, jewellery or other valuable article and such money, bullion, jewellery or valuable article is not recorded in the books of account . . .".

How can this be found out? How can the ITO know what are the ornaments if they are not recorded in the account books? He will have to send a chaprasi to find out from the women of the house whether they have got ornaments or not. Or my enemies will report to the ITO that so and so's wife has got so many ornaments. Then, it says:

" . . . if any, maintained by him for any source of income, and the assessee offers no explanation about the nature and source of acquisition . . .".

He may have received it from his forefathers. How can he explain this

\*With President's recommendation.

[Shri Bade]

that these are the ornaments of my mother or mother-in-law or somebody else?

“ . . . money, bullion, jewellery or other valuable article, or the explanation offered by him is not, in the opinion of the Income-tax Officer, satisfactory . . . ”.

Discretion is given to him to say whether it is satisfactory or not. If he says he will harass that man, he will become corrupt. Naturally our village account books are not properly maintained and jewellery are never entered in the account books. Therefore, this section can be used to harass people. I request the hon. Minister to think twice about this. Somebody has inserted the section and I do not know whether the hon. Minister has seriously thought over the matter. This must have come from the sweet imagination of somebody sitting in the armchair that their income should be taxed, that the ornaments should be taxed because they prepare ornaments out of black money and so they should be taxed if they are not mentioned in the account books. They will certainly ask why they are not mentioned in the account books, will enquire into the matter and if it is not satisfactory will tax him. I think this provision is not proper in the Finance Bill. Had it been in the Income-tax Bill it would have been sent to the Select Committee and amended clearly. This is a very loose section and the amendment of the hon. Member may be accepted by the hon. Minister.

**Shri U. M. Trivedi:** Sir, I oppose the provision of the law entirely. It looks so very absurd. I do not know how it has been put into this Finance Bill. Since it has been put in the Finance Bill, it must have escaped the notice of so many of us. I do not know whether my hon. friend for whom I have got great regard will be able to explain it.

Section 69A says: “Where, in any financial year the assessee is found to be the owner of any money, bullion, jewellery or other valuable article and such money, bullion, jewellery or valuable article is not recorded in the books of account . . . ” I have got no books of account where I enter these Jewelleries. My wife may possess some jewellery or my children may possess some jewellery, but I do not know whether I have entered in my life all those items,—although I keep books of account—that such and such jewellery has been made by me and so on. What explanation I would be able to give, I cannot understand. That means, that an income-tax officer, after 20, 30 or 40 years, will jump upon me and tell me, “I am going to assess you,” and if I cannot explain, it will be treated as income for that particular year in which it is being assessed. It will be a great harassment to anybody, all and sundry. It is not necessary that only a businessman will possess jewellery. Jewellery may be in the possession of all and sundry. Why is it that such an unwholesome provision of law is being put in this Bill, I do not understand. Why has this been put in the Finance Bill? Why should it form part of the Finance Act? It is a substantive provision of law and a substantive provision of law ought to come through the proper course and in the proper Act. This provision will create enormous difficulties.

This is such a provision of the law to which probably nobody has applied his mind. I have not seen it so far. It is now for the first time that my attention has been drawn to it by the two speakers who have preceded me, who have said that this provision exists in the present Bill. The Bills says that if the assessee offers no explanation, it will be treated as income for that particular year. An explanation may be offered, but who is going to accept it? Will it suffice to say that when an explanation is being offered, it will always be acceptable to the authorities? That is always a prob-

lem. Explanations are there; explanations may be offered, but will you kindly say that the moment an explanation is offered the whole thing will become a closed chapter? No. It may not be. It says: "or, the explanation offered by him is not, in the opinion of the Income-tax Officer, satisfactory..." What is the explanation offered to the income-tax officer? And in fact, the income-tax officer always tries to get more money and he is never interested in letting you off. I fail to understand why such a provision is being put in this Bill.

11.33 hrs.

[DR. SAROJINI MAHISHI in the Chair.]

This will not only create trouble but it will create a sort of blackmailing in the hands of so many. Not only that, and we do not know, all officers are not very honest. The income-tax officers or the income-tax inspectors will always try to squeeze money. By this provision, they will come to know things. In society we move about. The wife of an income-tax officer may be moving about with the wife of another gentleman and then come to know that such and such a jewellery is in the possession of the other person. And then the authorities may call upon the person concerned to get it explained! 10 years ago a piece of jewellery might have been purchased by somebody, a man whose only income is just his salary, and he may not be able to keep anything in the nature of accounts. He may not have even a voucher for having purchased that property. And yet you jump on him and ask him, "Wherefrom have you got this." This will create great hardship and difficulties, extreme difficulties, for all those people.

I think the hon. Finance Minister will apply his mind to this aspect. He is an intelligent man. He will very well understand to what extent this squeezing can be indulged in and to what extent harassment can be caused. I think, therefore, that it is

in the fitness of things that clause 16 should be omitted from the Bill.

**Shri Shivaji Rao S. Deshmukh:** Sir, may I say a few words. After having heard my hon. friends, I feel like supporting whatever provision has been brought forward by my hon. friend the Finance Minister, because this is one of the very essential things—

श्री श्रीकार लाल बेरवा (कोटा) :  
सभापति महोदय, हाउस में कोरम नहीं है।

**Mr. Chairman:** The bell is being rung—Now, there is quorum.

**Shri Shivaji Rao S. Deshmukh:** I honestly feel that the hon. Finance Minister deserves congratulations on having inserted a provision by which it will be possible to hope that at least a portion of the unaccounted money is made accountable and the State gets the taxes which were long ago due. It is quite likely that it may cause inconvenience, to the persons because it may be treated as income in that particular assessment year, but that inconvenience is to be considered in the background of the fact that that particular jewellery or piece of ornament may have its origin in what is popularly called black money. That amount of inconvenience, I am sure, is essential if a certain provision of law has to be enforced with a minimum amount of rigour. Therefore, I wholeheartedly support the amendment to the Act which has been proposed by my hon. friend the Finance Minister. My only wish is that it should have been done long back, because by the time he wants to enforce this amendment, perhaps there may not be jewellery or ornament left in regard to which he could collect any tax. All the same, I wish him good luck and expect that with this amendment, he would be in a position to account for certain unaccounted black money.

**Shri T. T. Krishnamachari:** Mr. Chairman, my hon. friend Shri Trivedi has almost a cherubic naivete in posing any problem. He suddenly sees

[Shri T. T. Krishnamachari]

some ghosts coming up. This is an amendment in relation to section 69 which is to deal with income which escapes assessment. In fact, if we are not asked to deal with income that escapes accounting, I think the Finance Bill is not necessary. The whole scheme of the Finance Bill is to see where income is escaping and to try to bring it in. Therefore, I beg to submit that it is part of the Finance Bill. The Finance Bill is not merely a Bill giving a few items of taxation, but also one which makes the authorities collect what are the things which are escaping. They must be put in so that incomes may be derived. Otherwise, I cannot get any increase, and even the Rs. 521 crores may probably drop next year.

In regard to the harassment and all that sort of thing, nobody is going to any poor or middle class man or woman for seeing that the income does not escape. If, as the hon. Member says, the officers' wives have got more jewels than what they should have, the Government or the authorities will look after it, whether the person concerned has made it by honest means or by dishonest means. But we are really concerned with the class of people who probably should pay wealth-tax. In regard to wealth-tax, hon. Members know that we permit any person jewellery to the extent of Rs. 25,000. It is something over and above that amount that we are now contemplating. Oftentimes, people convert their black money into gold. I have known instances—I have not seen but I have heard about it—of people buying gold and then making vessels. If you keep gold, you can ask, "where did you get the gold?"

**Shri Bade:** My complaint was that you may be taxing those people whose ornaments were given to them by their forefathers.

**Shri T. T. Krishnamachari:** Heirlooms are provided for in the wealth-tax law. But they make gold jewel-

lery or gold vessels and then say it is heirloom. This is the common way of bringing unaccounted money into something which is reputable and could be cashed. I wish we had compiled a complete list of possible evasions: I think probably we are just on the margin of it. I hope my hon. friend Shrimati Renu Chakravarty will not take away the little support that I have been getting from Shri Prabhat Kar. Anyway, this is not intended to hurt the middle class persons. Generally, it will be only dealing with cases of persons who pay wealth-tax, who probably have declared Rs. 25,000 as jewels, and we could ask them "How did you get more jewels?" It may be, as Shri Shivaji Rao Deshmukh said,—they say that the lockers are all getting empty and they may probably be hidden in vaults, but once the move starts,—

**Shri Kashi Ram Gupta:** Then why don't you say that only the wealth-tax payers are affected by it?

**Shri T. T. Krishnamachari:** Hon. Members need have no difficulty at all. I can promise that this department shall not go and hurt any lower middle class man at all in this way, because we will get what is our due in other ways. They are not paying the taxes at all; we will give them notice; if the shopkeeper does not pay—and many even do not pay the taxes—we will get the tax by giving them notices. We shall bring them in the tax-rolls. But big assesseees as are contemplated in this provision cannot be allowed to escape. Probably they convert them into jewellery and heirlooms. Then you have to ask for an explanation. It may be that one or two big people may have to suffer by it. It may be that it is hidden somewhere or it may be that a few marbles will have to go out of the walls. That is a different matter. I do not think the hon. Member is really concerned about those people. This is really meant to get the big offenders and not to hurt the small people.

**Shri Kashi Ram Gupta:** When it is meant for the higher tax group people like wealth tax payers, why not mention it here?

**Shri T. T. Krishnamachari:** As a matter of fact, these instructions are issued to the people. We have not got the time or the staff for that kind of thing.

**Mr. Chairman:** Is the hon. Member pressing his amendment?

**Shri Kashi Ram Gupta:** Yes.

**Mr. Chairman:** The question is:

Page 12,—

*after* line 8, insert—

“Provided that so far as jewellery, bullion and other valuable articles are concerned, belongings of wife and other women members of an assessee's family, shall not be deemed to be in the ownership of the assessee:

Provided further that while determining his discretion in respect of ownership, the Income-tax Officer shall work in a prescribed manner and under prescribed rules framed for the purpose by the Central Board of Revenue.” (108).

*The motion was negatived.*

**Mr. Chairman:** The question is:

“That clause 16 stand part of the Bill.”

*The motion was adopted.*

*Clause 16 was added to the Bill.*

*Clauses 17 to 19 were added to the Bill.*

**Mr. Chairman:** There is one amendment to clause 20.

**Shri V. B. Gandhi:** I am not moving it.

**Mr. Chairman:** The question is:

“That clause 20 stand part of the Bill.”

*The motion was adopted.*

*Clause 20 was added to the Bill.*

*Clauses 21 to 22 were added to the Bill.*

*Clause 23—(Amendment of section 104).*

**Mr. Chairman:** There are some Government amendments to clause 23.

*Amendments made:\**

- (i) Page 14, line 6, omit “(a)”. (38).
- (ii) Page 14, omit lines 10 to 14. (39).
- (iii) Page 14, line 15, for “following sub-section”, substitute “following sub-sections”. (40).
- (iv) Page 14, for line 22, substitute “The operation of this section.

(4) Without prejudice to the provisions of section 108 nothing contained in this section shall apply to—

- (a) an Indian company whose business consists wholly or mainly in the manufacture or professing of goods or in mining or in the generation or distribution of electricity or any other form of power;
- (b) an Indian company, the value of whose capital assets, being machinery or plant (other than office appliances or road transport vehicles), as shown in its books on the last date of the relevant previous year is fifty lakhs of rupees or more.

*Explanation.*—For the purposes of clause (a) of this sub-section,

\*With President's recommendation.

[Mr. Chairman]

the business of a company shall be deemed to consist mainly in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power, if the income attributable to any of the aforesaid activities included in its total income for the relevant previous year is not less than fifty one per cent. of such total income." (41).

(Shri T. T. Krishnamachari)

**Mr. Chairman:** The question is:

"That clause 23, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 23, as amended, was added to the Bill,*

*Clauses 24 to 27 were added to the Bill.*

15.45 hrs.

[MR. DEPUTY-SPEAKER in the Chair.]

Clause 28—(Amendment of section 114).

**Mr. Deputy-Speaker:** There are some amendments to clause 28.

*Amendments made: \**

(i) Page 17, for lines 5 to 26, substitute

"Provided that where the amount payable under sub-clause (ii) of clause (b) is less than the amount equal to fifteen per cent. of the net capital gains in respect of which tax is payable under that sub-clause, than the amount payable thereunder shall be fifteen per cent of such net capital gains:

Provided further that where the total income does not exceed the sum of ten thousand rupees, the

amount payable under the said sub-clause shall be nil;" (44).

(ii) Page 16, for lines 30 to 42, substitute—

"(ii) the amount of income-tax and super-tax calculated on such part of the net capital gains, if any, relating to capital assets other than short term capital assets, as exceeds the sum of five thousand rupees—

(1) in the case of capital gains relating to buildings or lands, or any rights in buildings or lands, at three-fourths of the average rate of income tax and three-fourths of the average rate of Super tax respectively, and

(2) in any other case, at one half of the average rate of income tax and one half of the average rate of super tax respectively,

average rate of income tax and average rate of super tax being computed for the purpose of this sub-clause in the same manner as for the purpose of sub-clause (i) of this clause." (201).

(iii) Page 17, omit lines 1 to 4 (202).

(Shri T. T. Krishnamachari)

**Shri M. R. Masani:** I do not move my amendment No. 109 because that is covered by Government amendments Nos. 201 and 202. But I want to move my amendment No. 110. I beg to move: \*

Page,—

*after line 27, insert—*

"Provided that the provisions of this section shall not apply to the assessment year 1964-65." (110).

\*With Presidents' recommendation.

Sir, mine is a very simple point. Amendment No. 110 just seeks to prevent this clause from having retrospective effect. This is on the general consideration that changes made like this should not be given retrospective effect. It is not fair. It is not playing the game. Therefore, in line with my general thinking, I move that amendment No. 110, which would make the clause apply to the future but not with retrospective effect be accepted by the House.

**Shri N. R. Ghosh (Jalpaiguri):** Sir, I beg to move\*:

Page 16,—

for lines 31 and 32 substitute—

“such part of the net capital gains, if any, relating to capital assets other than short-term capital assets as exceeds the sum of rupees twenty-five thousand and other than assessee's own residential house valued at rupees one lakh or less and land not exceeding one acre or not exceeding a specified value”. (136).

Already the Finance Minister has accepted the moral background of my amendment. He has already exempted capital assets up to the extent of Rs. 5000. I want to increase it to Rs. 25,000. I also want to exempt the residential house of the assessee if the value is Rs. 1 lakhs or less and land not exceeding one acre or not exceeding a specified value. As a matter of fact, under the wealth tax and also under the estate duty residential house is exempted. Suppose a man on account of indebtedness is obliged under compulsion of circumstances to sell his only house, I think this capital gains tax should not be attracted there. Otherwise, the purpose of his sale would be defeated: I would ask the Finance Minister to take into consideration the cases of these middle income groups who under compulsion of circumstance are compelled to sell their house or small bits of land. I also want him to consider this steep

rise in the rate. It should be half instead of three-fourth. This matter may be sympathetically considered by the Finance Minister.

**Shri T. T. Krishnamachari:** So far as Shri Masani's arguments are concerned, capital gains is a thing which is on the statute-book. “Bonus issues” is not on the statute-book. There I am prepared to agree and I have moved an amendment saying that bonus issues made last year will not be taxed because they have been made when the law was not there. Capital gains is nothing new, and the question of retrospective effect or the general application of the law on capital gains; I think, is something which cannot be objected to. Therefore, I do not think the amendment of Shri Masani finds any support. Also, I am not prepared to raise the exemption limit from Rs. 5000 to Rs. 25,000.

**Mr. Deputy-Speaker:** Is Shri Masani pressing his amendment?

**Shri M. R. Masani:** Yes.

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

Page 17,—

after line 27, insert—

“Provided that the provisions of this section shall not apply to the assessment year 1964-65.” (110).

*The motion was negatived.*

**Shri N. R. Bhosh:** I am not pressing my amendment No. 136.

*Amendment No. 136 was, by leave, withdrawn.*

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

“That clause 28, as amended, stand part of the Bill.”

*The motion was adopted.*

*Clause 28, as amended, was added to the Bill.*

\*With President's recommendation

Clause 29—(Amendment of section 115).

**Mr. Deputy-Speaker:** There are some Government amendments to clause 29.

**Amendments made\***

(i) Page 17, for lines 28, 29 and 30, substitute

"In Section 115 of the Income-tax Act,—

(i) for clause (a), the following clause shall be substituted, namely:—

'(a) the amount of income-tax equal to the aggregate of—'

(1) the amount of income-tax calculated at the rate of twelve and a half per cent., on the amount of capital gains, if any, chargeable under sub-section (2) of section 45; and

(2) the amount of income-tax with which it would have been chargeable had its total income been reduced by the amount of capital gains referred to sub-clause (1);'

(ii) for clause (b), the following clause shall be substituted, namely:—

'(b) the amount of super-tax equal to the aggregate of —' ". (45).

(ii) Page 17, for lines 38 to 31, substitute

"such capital gains, if any, [excluding capital gains, if any, referred to in sub-clause (1) of clause (a)]; and

(2) the amount of super-tax with which it would have been chargeable had its total income been reduced by the amount of capital gains relating capital assets other than short-term capital assets included in its total income."

(46)

(*Shri T. T. Krishnamachari*)

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

"That clause 29, as amended, stand part of the Bill."

*The motion was adopted.*

Clause 29, as amended, was added to the Bill.

Clause 30—(Substitution of new section for section 132)

**Shri T. T. Krishnamachari:** Sir, I beg to move\*:

(i) Page 18, line 39, after "proceeding under" insert "the Indian Income-tax Act, 1922, or". (47).

(ii) Page 19, line 10, after "proceedings under" insert "the Indian Income-tax Act, 1922, or". (48).

(iii) Page 19, line 24, after "account or" insert "other". (49).

(iv) Page 19, line 31, for "Central Board of Direct Taxes", substitute "Board". (50).

**Shri U. M. Trivedi:** Sir, I beg to move:

(i) Page 18, line 3,—  
after "in consequence of" insert—"definite". (4)

(ii) Page 18, line 22, —  
after "income" insert "and assets". (6)

(iii) Page 19, line 4,—  
for "one hundred and eighty days" substitute — "sixty days". (7)

**Mr. Deputy-Speaker:** Amendment Nos. 5, 12, 13 and 14 are not moved.

**Shri M. R. Masani:** I would like to oppose this clause because of the ex-

\*With President's recommendation.

tremely wide powers of search and seizure that are sought to be conferred upon officials. The power to retain account-books and documents with the approval of the Commissioner for months on end is another feature of this clause which is not acceptable to us. The powers of seizure and search, if reasonably applied, are necessary under any system of government, but when they are given as wide powers as this, even a good power to search and seize can lead to blackmail, bribery and corruption. When wide powers of this nature are given to small people, there is always a temptation either not to use them in return for an incentive or inducement or to use them, or threaten to use them, unless the person is placated. I am not suggesting that all our income-tax officers would do this, but certainly when these powers are given to junior officers, specially when judicial control is not there, you are exposing the individual citizen to the danger of harassment and blackmail. So, I feel that these powers are much too wide and there should be need for a judicial authority for the exercise of such powers.

Similarly, in regard to keeping of account-books, to allow them to remain for six months is absurdly harsh. I should have thought that 15 to 20 days would suffice for the inspection of these documents.

**Shri U. M. Trivedi:** This provision appears to me to be taking too much of police powers into the hands of the Income-tax Department. Those of us who have to work for the lower middle-class of traders know to our chagrin that most of the income-tax officers act in a very high-handed manner—I do not purposely use the words “in a dishonest manner”; but they do act in a manner which suggests that they are after making money, that they act with a desire to be corrupt or with a desire to be placated in one way or the other so that they may not utilise the powers that

are vested in them. This is another instance where further power is being vested in the hands of the income-tax officers. I think, the purpose would have been served if some senior officer only was given these powers, if this power was limited only to the Inspecting Assistant Commissioner. The power “to enter and search any building or place where he has reason to suspect that such books of account” need not be given to the Income-tax Officer.

I remember, in 1956 there was a case in which a big businessman's house was searched in Calcutta. His ladies were made naked. Then, although jewellery worth about Rs. 1 crore was said to have been recovered, on the following day it was found that it was all right and he was told, “The jewellery is yours and it could not have been brought from a foreign country”. The whole thing was released. But the point is that the information which they could get after 24 hours; they should have got it a little earlier. Nobody knows what happened at night, how much money passed and to whose hands. Therefore, to vest an Income-tax Officer with the powers that are given here will be too much.

Whenever police powers are to be exercised in such a manner, there must be some sort of judicial control. A proper process of law must be provided for before such an entry could take place. Therefore, I, as a prudent man would oppose this clause which is there.

The other thing which strikes one is:—

“where the Commissioner, in consequence of information in his possession, has reason to believe that—”.

This provision must be so made that it should read—

[Shri U. M. Trivedi]

"Where the Commissioner in consequence of definite information in his possession and for reasons to be recorded in writing, believes that—".

There must be something to bind down the Commissioner also. The Commissioner should not take it into his head, because something is whispered into his ears, that such-and-such a thing has happened and such-and-such a man has hidden this. Something may be said into the ears of the Income-tax Commissioner to insult even an honest man. Therefore the Income-tax Commissioner should not pass an order to his Income-tax Officer to go and search the house of any respectable person. I would, therefore, suggest that even here there should be some control and it should be—

"Where the Commissioner, in consequence of definite information in his possession and for reasons to be recorded in writing, believes that....".

Then, he could do that. But he must record his reasons before he proceeds to do that; or, some further process of law must be provided before such an entry could be made. Opportunity must be given to the opposite side to find out whether this information is correct or not. It is not necessary that he should be immediately proceeded against—and then this must be done.

Another thing that I do not find very good in this arrangement is this. Why leave the making of rules in relation to searches to the Central Board of Direct Taxes? Why not provide that the provision must be of the same type as obtain in the Criminal Procedure Code? Why leave it in the hands of the Central Board of Direct Taxes? Either make rules in this law or let the rules that have already stood the

test of time be adopted. Why provide this loophole for the purpose of this thing?

The other thing to which, I think, the hon Minister may agree is this. Why keep the books of accounts for six months? If you have got to trace something, why not have it done in 15 days, 20 days a month, or two months? Why have six months? I know, in one case a Special Police Establishment inquiry went on for long. I do not know whether it is still going on. But pursuant to an inquiry ordered by the Special Police Establishment under the provisions of the Criminal Procedure Code, some books of account of a merchant who had nothing whatsoever to do with the inquiry were seized. They were seized and promised to be returned in one month. They were not returned in two months, ten months, two years, even in three years, because no time limit is there. Every time a letter is written, it is said that they are sorry and that the inquiry is still proceeding. Why is the inquiry proceeding and what the books have been able to do—those explanations are never coming forward. Therefore, this provision that a search may be made and for six months the books may be kept, is a provision which interferes with the day-to-day working of an ordinary merchant unbearably.

**Shrimati Renu Chakravartty** (Barackpore): In this particular case I would like to support this—although I too believe that six months is a very long period, knowing the way the Income-tax Department functions, unless we are able to have a larger number of people dealing with these cases and unless we are able to tighten up the entire organisation which, I think, we should do. We should reduce the number of days these books are kept because it is really a great hardship if all the books of accounts are locked up with the income-tax officers for six months. I think, it

should come down at least to two months, or at the very maximum, to three months; it should not be more than that. But in the present circumstances where there is such a large amount of evasion and correct returns are not given, it is essential that the income-tax officers should have sufficient time to go into the details of the accounts. As a matter of fact, even after taking all this trouble we find that in so many cases, the real assessee's and the real assessments are never assessed, because there are other pressures and pulls. But, whatever that may be, at least the powers of search and seizure must be there and they must be fairly wide.

16 hrs.

Actually, I find that they have the right to make an application to the board, for, the proposed sub-section (4) of section 132 of the Income-tax Act reads thus:

"If a person legally entitled to the books of account or other documents seized under sub-section (1) objects for any reason... he may make an application to the board stating therein the reasons for such objection and requesting for the return of the books of account or documents."

Therefore, I feel that this right to make an application to the Central Board of Direct Taxes will to some extent alleviate the vexatious delays which have been there in the past. But without the powers of search and seizure, I am afraid that at the moment we shall not be able to get even that amount which we are now getting. We must make an effort to get far more than what we have been able to get in the past.

**Shri Shivaji Rao S. Deshmukh:** Listening to the arguments that have been advanced in opposition to this provision, I feel that there are many people in this country who have got axes to grind with respect to the income-tax officers, and they speak the

language in which certain views have been advanced on the floor of the House. While I would readily agree with those hon. Members who say that it is an encroachment on individual liberty, I doubt very much if these champions of individual liberty have no axe to grind when they speak in the language of people who have perfected the science of tax evasion. Therefore, I feel that an honest effort should be made by Government to provide the income-tax machinery with adequate powers so that tax evasion would become difficult, if not impossible. I think that that is a necessity in the society which we have in view.

In America, it is said that the income-tax officials are virtually a terror. If in a capitalist country like America, income-tax officers can afford to be terror, in a democratic and socialistic country like India, we find that the income-tax officers are the most innocent and helpless lot of people. Today, our income-tax assessment has come to a level where the assessment of incomes is more or less speculative. Suppose the assessee says that his income is Rs. 1 lakh, and Income-tax Department says that his income is Rs. 10 lakhs; somewhere, a balance is struck, say, at Rs. 2 lakhs and that amount is assessed for tax.

So, if certain honest efforts at correct assessment are to be made, then it is necessary that the officers responsible for this assessment must be given adequate powers.

Therefore, I support this provision and I hope and pray that armed with these powers, the income-tax officers will try to improve our income-tax earnings, and tax evasion would be at least curtailed to that extent.

**Shri T. T. Krishnamachari:** The provision which is sought to be amended is section 132 of the Income-tax Act. The present section 132 of the Income-tax Act has been there for some time. But in the subsequent enactments

[Shri T. T. Krishnamachari]

which have been made for revenue purposes, far wider powers have been given, as in the case of customs and excise, for instance, where we have much wider powers. Even in sales-tax, the powers are much wider. We have now found that when we have to get at books, we have to seek the help of somebody else, and oftentimes, the law stands against us.

I can give instances of how moneys are lost to the State. In January, 1956, the income-tax people, hearing that the customs people were going to make a raid at a particular premises in Calcutta, also joined in the search. The customs people did not find anything, but the income-tax people found books. After taking hold of the books, the parties came and said 'We shall pay a crore of rupees as tax for what has been evaded'. In retrospect, I think the income-tax officers would have been wiser if they had accepted that crore of rupees and let go the whole thing. But they said 'No, no, even a cursory examination of your books reveals that the amount evaded is much more, and if you pay Rs. 3 crores, then we shall let you go'. In the meantime, they went to court, and the court ordered seizure of the books. The case has not yet been disposed of. The High Court took five years to dispose of it, and the case is now before the Supreme Court. That is a case where legitimately the Government exchequer and the people should get Rs. 3 crores. I do not know whether we shall be able to get at it, because probably the moneys would have been divided by now and the moneys would not be available. When we go and tax people for the ordinary things of life to the extent of Rs. 20 to Rs. 30 lakhs spread over a number of people, here is one instance where Government have lost Rs. 3 crores merely because the courts have held that the income-tax officers have no powers. Subsequently, there have been a number of cases where the courts have held that income-tax officers have no powers to search.

So, we are not taking any more powers than what exists in the case of the other revenue enactments. In fact, the powers have been modified. If my hon. friends would see the proposed sub-section (2) of section 132, they would see the limitations on this. I quite agree with my hon. friend Shrimati Renu Chakravartty that while six months appear to be very long and the books should not be retained for so long, sometimes it may be necessary to have that much time for examining the books. In fact, it should not be six months in all cases. For, if anybody takes away a businessman's books for six months, his business will come to a standstill. I shall see that executive instructions are issued to the effect that unless the case is very serious, it should be expedited as quickly as possible. I do not know whether they should keep the books for more than two weeks. Keeping books for a longer time is wrong. I shall certainly cause executive instructions to be issued that wherever it is possible, the books should be returned quickly, but where it happens that the amount involved is very large, a longer time may be required. At present, we have got one case going on. Hon. Members are asking me why it has not been adjudicated. It is because the books are so many and the transactions are so many, and, therefore, it is so difficult. Therefore, Shrimati Renu Chakravartty's appreciation of the point is right. These powers are absolutely necessary if this scheme to tap the escaped assessment for the benefit of the common man is to succeed.

As I said before, it is the common man that bears the burden today. It is something like the case of a car with six cylinders, where four cylinders do not work, and the other two cylinders carry the car. Similarly, one-third of the people of this country who are honest carry the burden for the other two-thirds who are not honest. Therefore, we need these

powers even to check marginally this evasion. Therefore, I am unable to accept the amendments of my hon. friends to this clause.

**Mr. Deputy-Speaker:** I shall now put the Government amendments, namely amendments Nos. 47, 48, 49 and 50 to vote.

The question is:

(i) Page 18, line 39, after 'proceeding under' insert 'the Indian Income-tax Act, 1922, or'. (47)

(ii) Page 19, line 10, after 'proceedings under' insert 'the Indian Income-tax Act, 1922, or'. (48)

(iii) Page 19, line 24, after 'account or' insert 'other'. (49)

(iv) Page 19, line 31, for 'Central Board of Direct Taxes', substitute 'Board'. (50)

*The motion was adopted.*

**Mr. Deputy-Speaker:** I shall now put amendments Nos. 4, 6 and 7 of Shri U. M. Trivedi to vote.

*The Amendments (Nos. 4, 6 and 7) were put and negatived.*

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

"That clause 30, as amended, stand part of the Bill".

*The motion was adopted.*

*Clause 30, as amended, was added to the Bill.*

**Clause 31—***(Insertion of new section 133A)*

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

Page 20, line 20, for 'such', substitute 'the'. (51)

This is only a drafting amendment.

**Mr. Deputy-Speaker:** The amendment is now before the House.

**Shri M. R. Masani:** I want to oppose this clause. This clause like the last one is open to the same objection, because it widens the powers of search and seizure exercisable by income-tax officers.

This widened power would give the income-tax officer the right to enter any premises not only without a warrant of a court or any judicial sanction but without any notice. He can just barge into your home or barge into your office or into your place of work and nose into your affairs. I think that there should be some limit to what even a so-called socialist society would want, unless of course we want to go all the way to Moscow or Peking.

Therefore, I would suggest that these arbitrary powers of entering people's homes or offices without any warrant from a judicial authority or even giving notice to the party to have the books opened up and so on is giving much too wide a power. In one way, we are trying to stop corruption, but every one of these powers would increase the opportunities for corruption. Every time an officer is given a discretionary power of this nature, you are opening the door to graft. Already, every control in India leads to more corruption. This kind of power that you are giving without any check on the discretion of an officer will only make it possible for him to hold out his palm and say: 'How much?' Or shall I harass you?'

**Shri T. T. Krishnamachari:** The objection is the same as that to the previous clause. I see there is no point in replying to it.

\*With President's recommendation.

**Mr. Deputy-Speaker:** I shall now put Government amendment No. 51 to vote:

The question is:

Page 20, line 20, for 'such', substitute "the". (51)

*The motion was adopted.*

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

"That clause 31, as amended, stand part of the Bill".

*The motion was adopted.*

*Clause 31, as amended, was added to the Bill.*

*Clause 32 was added to the Bill.*

**Clause 33** (Substitution of new section for section 138)

**Mr. Deputy-Speaker:** There are several amendments.

**Shri T. T. Krishnamachari:** There is Government amendment No. 52. I beg to move\*:

Page 20, for lines 28 to 34, substitute

"138. (1) Where a person makes an application to the Commissioner in the prescribed form for any information relating to any assessee in respect of any assessment made either under this Act or the Indian Income tax Act, 1922, on or after the 1st day of April, 1960, the Commissioner may, if he is satisfied that it is in the public interest so to do, furnish or cause to be furnished the information asked for in respect of that assessment only and his decision in this behalf shall be final and shall not be called in question in any court of law.

(2) Notwithstanding anything contained in sub-section (1) or any other law for the time being in force, the Central Government

may, having regard to the practices and usages customary or any other relevant factors, by order notified in the Official Gazette, direct that no information or document shall be furnished or produced by a public servant in respect of such matters relating to such class of assessee or except to such authorities as may be specified in the order." (52)

**Shri Kashi Ram Gupta:** I beg to move\*:

That in the amendment proposed by Shri T. T. Krishnamachari printed as No. 52 in List No. 4 of amendments,—after sub-section (1), insert—

"Provided that the Commissioner shall not entertain any such application unless he is convinced, on basis of proof supplied by the applicant, that the information asked for will result in obtaining information leading to unearthing of concealed or evaded income of an assessee to an extent, as will enable realisation of tax revenue in a very material way:

Provided further that the Commissioner shall not entertain any application if the applicant's intention is only to harm the assessee's business interest or the supply of information will only lead to harming the business interest of the assessee and will not in any way lead to revealing of concealed income:

Provided further that in all such cases the Commissioner shall be guided by rules framed for the purpose and in case the Commissioner decides to give information to an applicant against the position mentioned above and against the rules framed for the purpose, the aggrieved assessee shall be entitled to go to the higher authority and finally in a court of law, to get redress against such an order." (179)

\*With President's recommendation.

**Shri Morarka:** I beg to move:

That in the amendment proposed by Shri T. T. Krishnamachari, printed as No. 52 in List No. 4 of amendments,—

for sub-section (1), substitute—

“(1) Where a person makes an application to the Commissioner in the prescribed form for such information as may be prescribed relating to any assessee in respect of any assessment made on or after the 1st day of April, 1963 the Commissioner may if he is satisfied that it is in the public interest so to do, furnish or cause to be furnished the information asked for in respect of that assessment only and his decision in this behalf shall be final and shall not be called into question in any court of law by the person seeking the information.”. (139).

**Shri Sachindra Chaudhuri (Ghatal):** I beg to move:

Page 20,—

for lines 28 to 34, substitute—

“138. Where a person *bona fide* with the object of disclosing any fraud on the revenues and upon reasons stated, makes an application to the commissioner in the prescribed form and pays the prescribed fee for any information relating to any assessee in respect of any assessment made under this Act or the Indian Income Tax Act, 1922, the Commissioner may, if he is satisfied that it is in the interest of revenue to furnish such information, furnish or cause to be furnished the information asked for:

Provided that if the information asked for is not *bona fide* required for disclosing any fraud on revenues or the reasons upon which the information asked for are, or any of them is false, the person asking

for such information shall be punishable with imprisonment which may extend to six months or with fine, which may extend to one thousand Rupees or with both.”. (111).

**Shri V. B. Gandhi:** I beg to move\*:

Page 20,—

for lines 28 to 34, substitute—

“138. Where a person makes an application to the Central Board of Direct Taxes in the prescribed form for any information relating to any assessee in respect of any assessment made either under this Act or the Indian Income-tax Act, 1922, on or after the 1st day of April, 1964, the Board may, if they are satisfied that it is in the public interest so to do, furnish or cause to be furnished, the information asked for in respect of that assessment only.”. (142).

**Shri Kashi Ram Gupta:** This is a very controversial clause. Because of the Government amendment, instead of amendment No. 15, I have moved amendment No. 179.

The vague definition, provided it is in the public interest to disclose... such and such, will only lead to make the people corrupt, the officers corrupt. The result will be that instead of getting the concealed income out, there will be regular blackmailing and what not. Therefore, the Government should bind down the Commissioner in such a way that it should be clear to him as to what he has to do.

In my amendment, I have mentioned that unless the concealment is to an extent which will give a sufficiently good margin of revenue, this should not be touched.

Then there are persons who are blackmailers. If they are to be checked, we should see that the applicant should not be allowed to misuse it for

\*With President's recommendation.

[Shri Kashi Ram Gupta]

his own purposes or to make the business of the assessee lose. So I have clearly said:

"Provided further that the Commissioner shall not entertain any application if the applicant's intention is only to harm the assessee's business interest or the supply of information will only lead to harming the business interest of the assessee and will not in any way lead to revealing of concealed income".

The Government amendment says that his decision shall be final. I say it should not be final in that way. So I say:

"Provided further that in all such cases the Commissioner shall be guided by rules framed for the purpose and in case the Commissioner decides to give information to an applicant against the position mentioned above and against the rules framed for the purpose, the aggrieved assessee shall be entitled to go to the higher authority and finally in a court of law, to get redress against such an order".

The hon. Finance Minister generally gives assurances on the floor of the House. But these are not carried out afterwards. This has been the history. So instead of having our points based on assurances, this should be clearly mentioned in the clause so that there may be no difficulty. Unless and until there are rules framed for the purpose, the Commissioner will have so much of power that the result, as I have said before, will be disastrous.

There are the secrecy provisions. On the one side, the Finance Minister says that they are not going to trouble the middle class or the lower middle class. I do not know whom they are going to trouble, because so

far as the limited companies are concerned, as they stand at present, they have not got so much lacuna, as they think about them. Then comes the big business community. Yesterday also I said that these big business people could be tackled in a different way altogether. Even if they are tackled here, it should be clearly mentioned that it is meant for such higher income groups. Government does not do that. It does not mention that at all, that it is going to take this up only for the higher income groups. Only assurances are there. What is the use of these assurances?

Therefore, Government should have either come forward with such an amendment to protect the smaller ones and definitely say that it is meant for the higher income groups or if the wording is 'for all concerned', my amendment should be accepted, because there are safeguards for these people, for these honest people. Otherwise, those honest people will be harassed badly, as has been the experience with these income tax officers who are not honest. If the Government has the courage to say that the majority of the income tax officers are honest, at least I can challenge that and say that it is not so. No doubt, there are honest people who have human nature in them. At the same time, there are honest people who are also cruel to a certain extent. So both dishonest people and those who are honest but mishandle the assessee, will put people to great trouble if the Government amendment, as it stands, is accepted. Hence I move my amendment.

**Shri Sachindra Chaudhuri:** I have moved my amendment for more or less the same reasons as stated by my hon. friend who has spoken just before me. It is perfectly true that the Commissioner, having regard to the climate of avoidance of tax or evasion of tax, has got to act sometimes on information. But to give him unbridled discretion in the matter might

lead to great inconvenience and injustice to a number of people. Some informer or some person seeking information not with a view to help revenue but purely for the purpose of satisfying his own envy or jealousy or his political interests may resort to this means and there is no remedy in so far as the taxpayer is concerned or the assessee is concerned.

It is said that the Commissioner has got arbitrary powers and he may use it corruptly. I do not accuse Commissioners of Income Tax of being corrupt or open to bribery or anything of that sort. That is not my experience. So far as income tax officers are concerned, I may tell you that I have had to deal with income tax officers probably as much as anybody else and more than many people.

**Shri T. T. Krishnamachari:** Certainly more than the Finance Minister.

**Shri Sachindra Chaudhuri:** Of course, except the Finance Minister.

**Shri Kashi Ram Gupta:** The Commissioners are guided by ITOs.

**Shri Sachindra Chaudhuri:** Maybe. My experience of Commissioners and ITOs extends to nearly 40 years. By and large, I can say that they are a set of honest people. Some do not have the same intelligence as others. But so far as honesty is concerned, it is an exaggeration to say that they are all dishonest. The little dishonesty, I am not afraid of.

Then there is the question whether the person is a judicious person, a careful person. As an executive officer, the Commissioner must be guided more often by executive and administrative considerations than applying his mind as to what is the purpose and so on.

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Therefore, there ought to be some sort of restriction put on him. Of course, so far as the amendment moved by the hon. Finance Minister is concerned, it is most welcome. But what is 'public interest'? It varies with the length of the Commissioner's foot. If it is to be decided in court, then the mischief is already done. So some sort of guidance should be given.

The suggestion I have made is that there should be either revenue or other public interest which does not in any way abridge the powers of the Commissioner. It should give him an indication that it is for the purpose of revenue mainly that this power is to be exercised. After that we have put in a proviso, providing for certain punishments to a person who only wants to take away either the credit or the reputation of a business or person. This House knows that accusations are made very easily, charges of corruption are made against almost anybody, and many of these persons have no opportunity of saying that they have not done any such thing. One instance is taken out of a bunch of people, and then it is said that so-and-so is dishonest, and therefore the whole class must be dishonest. That, I think, is condemnation of a class because of the fault of a few.

In order that such advantage may not be taken by unscrupulous persons, the man who demands any information about another's taxation should be responsible, and reminded of his responsibility, for not using it for any oblique or improper purpose, and if he does so, he should be liable to punishment. That is why I suggest that the amendment which I have proposed, in the shape of punishment for the person who comes and demands information, should be accepted by the Finance Minister, and I beg of him to do that because that would show that he is really trying to get revenues and not to make the income-tax law an instrument of harassment.

**Shrimati Renu Chakravartty:** I have seen the amendment of Shri Sachindra Chaudhuri and the original clause as proposed. The point is we want provision that all the material relating to the assessee may be available for public information.

Of course, according to big business, certain information if disclosed may harm their business interests or profits, but as an ordinary person, I would like all assessments which have been made should be open.

**Shri T. T. Krishnamachari:** That will be public.

**Shrimati Renu Chakravartty:** But the computation also should be open and available.

I am not able to understand why so much secrecy is always kept, because, after all, there is nothing which will harm their business by the disclosure of the assessments. If there is nothing illegal which they want to hide, which obviously they would not have also shown to the income-tax officer, I see no harm at all in showing it to the public or a third party who would like to know the information.

Actually, what has been prescribed by the official amendment is that the discretion for showing it or not showing it will rest with the Commissioner. I would personally like that it should be available to anybody who asks for the information. If business houses carry out their work in an open, proper and honest manner, they should not be afraid of anything. That is why I certainly support the proposed new section 138 in clause 33, and I would oppose all the other amendments which seek to restrict it further. My personal opinion is that any

person should be able to find out the information, because I think that big business must now start to function in an open and honest manner.

**Shri U. M. Trivedi:** It is not a question of only big business that is involved in this. It is the question of an assessee, an individual.

**An Hon. Member:** Why secrecy?

**Shri U. M. Trivedi:** Secrets are necessary. A person does not want to give away his family secrets, the way in which his trade is being carried on to his rival, the knowledge he possesses regarding the particular manner in which his trade is carried on and the trade secrets which he must preserve for earning his livelihood in the struggle for existence.

**Shri Shivaji Rao S. Deshmukh:** Do tax evasions also become trade secrets according to you?

**Shri U. M. Trivedi:** I am not talking of any tax evader. Do not read between the lines. Put him into jail. I am going to shoot him. I do not care for him.

What I do care for is the honest man who wants to carry on his business in an honest manner and yet wants to preserve his business secret. It is most essential for him that these things are not disclosed to his rival businessman.

It is not necessary that every secret of a family must be known to everybody else. People are not interested in just finding out secrets and blackmailing people by tom-tomming that this is what they have come to know about a particular person or his family. That is why I say some secrets need not be disclosed, although for purposes of taxation they are disclosed to the income-tax officer. It is sufficient for the income-tax officer to know them, it is not necessary every one should know it. There is no

justification for that. That is why I say this thing should not be carried so far. After all, there has been some second thoughts and the Minister has been pleased to make this amendment, namely the new section 138.

After having obtained the information, if a man misuses it, there should be a punishment for it, and he should be prevented from making such use of it. There is no such provision.

The amendment of Government only says:

"Notwithstanding anything contained in sub-section (1) or any other law for the time being in force, the Central Government may, having regard to the practices and usages customary or any other relevant factors, by order notified in the Official Gazette, direct that no information or document shall be furnished or produced by a public servant in respect of such matters relating to such class of assesseees or, except to such authorities as may be specified in the order."

The Government has gone only so far and no further, because the provisions of section still remain. I therefore say that this provision of not making use of it before any court of law must still be maintained, because a person may obtain it saying that it is for a public purpose, and after having hoodwinked the Commissioner and got possession of it, he will make use of it for his own purpose.

**Shri Morarka:** Amendment No. 52 of Government is a great improvement on their original amendment contained in clause 33. My amendment No. 139 wants the Government amendment to go a little further. Instead of any information being available to any persons", I want "such information as may be prescribed by the Government by rules" only be given to the person seeking the information.

Secondly, instead of information being available in respect of assessments from April, 1960, I suggest this should be available from April, 1963.

Thirdly, the decision of the Commissioner should not be called into question in any court of law by the person seeking the information.

The importance of the secrecy clause cannot be under rated because this clause has been on our statute-book for the last 78 years, though it has undergone changes at various times.

In 1886 Act and then again in 1918 Act, the disclosure of any information contained in any statement or return submitted was a penal offence. In the Act of 1922 the scope was widened to prohibit disclosure of anything contained in any assessment, record or any evidence or any answer given by a person examined by the income-tax authorities. By the amending Act of 1930, some relaxation was given and the list of such items was enlarged in 1939 and again in subsequent years. At present section 237 contains 21 sub-clauses under which the information can be disclosed. The amendment now sought to be made seeks to give the right to any member of the public to get any information about any assessee in respect of any assessment year whichever he likes. Whom would this help? That is an important question. Many hon. friends here seem to think that this secrecy helps the tax evader. There is no secrecy from the Government officers, from the income-tax officers, income-tax commissioner or anybody. This information is available to any department of the Government under certain conditions. The question is whether any outsider is entitled to know about the business secrets of the other. The hon. lady Member, Mrs. Chakravarty said that big business should learn to conduct their business in an honest manner. I agree. But in life there are so many legal things we do and still we keep them secret. Don't we? Every legal

[Shri Morarka]

thing cannot be exposed to the public. It may be legal; yet it may have to be kept secret. What many happen is this. My business competitor, for no revenue reason, not to help the Government or the income-tax department but just to spite me will know, under this provision, who are my creditors, who are my debtors, from whom I buy goods or to whom I sell goods under section 142, the ITO can ask me to submit a sworn affidavit giving information on any point he likes including my creditors, debtors, etc. and I am in duty bound to give that. This power instead of helping the cause of collecting revenue, will create blackmailers. There is no dearth of such people in our country. Even the creditworthiness of a person may suffer. Because another person, or the people in the money market, do not know what is the actual earning capacity of a person; how much tax he pays or what are his assets. Once they are exposed to the public, there may be a genuine difficulty in his way in raising money or borrowing money. There are other difficulties also.

The disclosure of this information will lead to litigation between partner and partner, between father and son, between family members, uncles and nephews and all these people. Who would benefit by this? Most of the time of the ITO would be spent in courts in giving evidence. He will have no time to apply his mind to the question of assessment, to the collection of tax, etc. In fact every committee and commission that has examined our income-tax law has come to the conclusion that this secrecy clause is not only desirable but necessary. The Tod Hunter Committee in 1925, the Income-tax Investigation Commission in 1948, the Taxation Enquiry Commission of 1953-54 and probably the Tyagi Committee also, without exception, endorsed the view that this secrecy clause must remain. Those people had gone into the details.

**Shrimati Renu Chakravarti:** Tyagi Committee did not support it . . .  
(Interruptions)

**Shri Morarka:** If you could point out to me where they said no, I will agree. I think the Tyagi Committee also held the same view. These committees and commissions have examined this aspect in great detail and they applied their mind fully, they heard the evidence of the Government officers, income-tax officers, business associations etc. and after taking all those things into consideration came to the conclusion that it was necessary and this should remain—not on any sentimental grounds but for practical reasons. When the assessee knows that his secrets would be kept, they would not be divulged, it encourages him to come forward and make a complete disclosure. If the assessee knows that this information can be divulged to his competitors, to anybody, he would be on guard; he would not be in a position to make that frank disclosure which he would otherwise have made.

What is the position in other countries? Norway and Sweden are the most advanced countries in this respect. They publish the income, the tax paid and the name of the person. Only these three details are published in the form of an annual summary—nothing more. I think in UK and USA also the secrecy clause is there. I said about Norway and Sweden, the two countries which are advanced in this respect, there also the disclosure is limited and very innocuous. My amendment, therefore, says this: let those people have the information but only that information which may be prescribed by rules, which the Government may consider reasonable to be disclosed.

Another thing is that it should be available only in respect of assessments from 1963 onwards. In the past an assessee discloses information to the department knowing that they would keep his secret and trust. . . .

**Shri T. T. Krishnamachari:** Nobody discloses information to the income-tax officer.

**Shri Morarka:** Everybody is not of the same type. You cannot legislate on the basis that everybody is dishonest. If you proceed on that basis, what is the use of your legislation? You may make ten more clauses or Acts; nothing would happen if the whole country is dishonest; you are one of us. If human nature or the character of the country is like that, the income-tax officers also are like us.

**Mr. Deputy-Speaker:** The hon. Member may try to conclude.

**Shri Morarka:** There is plenty of time.

**Mr. Deputy-Speaker:** There are plenty of clauses also.

**Shri Morarka:** I am putting before the House the historical background of this clause, the reasons as they occur to me and the thing which I think is reasonable. If you want to give some more latitude, give it, but provide some safeguards so that the blackmailers and undesirable people may not get at this information and misuse it. That is the main purpose of my amendment which stands in my name and in the name of my hon. colleague Mr. Ravindra Varma.

I must express my gratitude to the hon. Finance Minister for moving his amendment No. 52. That amendment does go a long way in improving the situation. I hope that even at this late stage the hon. Finance Minister would consider this request of mine and see if the provisions could be brought in line with either the UK Act which is in the second schedule to the Income-tax Act of 1952 or section 16 of the Australian Act or even that of the USA or even the USA Act in respect of which the hon. Finance

Minister thinks that their tax collection is very effective, if you follow all the provisions of that Act I have no objection. So, I would request the hon. Finance Minister to consider these few points, if not now, at least when he brings another amendment to the Income-tax Act which he said he proposes to bring, and try to do something about it.

**Shri V. B. Gandhi:** Mr. Deputy-Speaker, Sir, I should have thought that the provision that is already there in the Income-tax Act would be sufficient for the purpose of disclosing information relating to tax payable. It looks as if what is now sought is not information respecting the tax payable but information respecting the assessee, the tax-payer, which is the individual, and not the amount of the tax. Already, the provision under section 138 gives sufficient power to the Commissioner to disclose information about the amount of tax determined as payable by any assessee.

The clause under discussion is clause 33 of the Finance Bill, and for this clause, it is significant that the heading as given is, "Disclosure of information respecting assessee", it is not respecting assessment or respecting tax payable. That is very significant. The emphasis has shifted from "the amount of the tax payable" to "the assessee," to the tax-payer. This clause, when it was published, attracted quite a lot of criticism and rightly so, because under this clause, too wide a latitude has been given to the Commissioner of Income-tax. He has been given the latitude to furnish information relating to any assessee in respect of any assessment in respect of any year, and all that he needed was to satisfy himself that there were no circumstances justifying a refusal to furnish that information. I am glad that there has been some re-thinking on this subject and that the Finance Minister has done well to bring in this new amendment to clause 33.

[Shri V. B. Gandhi]

In this new amendment I find that there are very reasonable safeguards and limitations placed on the discretion of the Commissioner of Income-tax. For instance, the period to which this information to be disclosed can apply is from the first of April, 1960. There is that first limitation. Then the Commissioner also has to satisfy himself that it is in the public interest to do so, that is to say, it is in the public interest to supply this information. Also, as I said, the information to be supplied would be for that particular assessment asked for and not for any assessment for any year which was the case as provided in the Bill.

This is, as I said, a very great improvement and a welcome improvement. All that I would say, however, is that—and I have given an amendment to that effect—the Commissioner's decision should not be considered as final. We should leave the door open to go to a court of law if the parties so desire.

With these few remarks, I close.

**Shrimati Renuka Ray:** Mr. Deputy-Speaker, Sir, times without number in this House we have been asking the Government to plug the loopholes against tax evasion. I think this clause—clause 33—is a most salutary clause in the Finance Bill. I should like to congratulate the Finance Minister for having at last taken the step which is very much in the right direction. We are all aware in this House how little of the tax that is levied is actually collected. I know recently there has been some little improvement but much more improvement is required if the unaccounted money in this country and the taxes that should come into the exchequer are to be netted in. Therefore, I can see no reason to whittle down this clause. In fact, the amendment that has been brought should satisfy all the problems that Shri Morarka has

posed. If there be any malicious intent on the part of anyone, that would be covered by this clause where the Commissioner of Income-tax would only reveal things if they are in the public interest. I think that is as far as one can go, and I do not know whether even that is not going too far.

I feel it is essential not to make any further concession to this viewpoint which seeks again to bring back the old secrecy clause. Whatever merit there may be in its historical perspective of having a secrecy clause all through the years, I think when this provision is made, it need not be brought in. We find that it is one of the stumbling-blocks in the way of our being able to collect the taxes in a proper way. Tax evasion has been particularly bad in this country; I do not say it is not bad in other countries. But it is particularly bad in India. Therefore, I think it is a very wholesome and salutary clause, and the amendment should satisfy those who have any fear of its misuse.

I fully support this clause.

**Shri P. N. Kayal (Joynagar):** This country has developed a very bad habit. That habit is that of not paying the tax. Since the national Government took charge of this country, the Opposition parties always opposed any imposition of tax in this country, direct or indirect. So, actually, the people are gradually evading or unwilling to pay taxes. Today, we are not worried about the people who honestly pay their taxes, but we are worried about those who evade paying taxes. The Opposition parties particularly go to the extent of bringing a charge against the Government that it is the people in the Government who are helping those dishonest businessmen or assesseees in not paying the taxes. So, I think it is for the benefit of the Government also that there should be no opportunity given to the people to bring a slur on the Government.

Therefore, as Shrimati Ranuka Ray said, this is a most salutary provision. Every citizen of this country should have the liberty to approach the proper authorities and get any information about any assessee, and actually the prescribed form is all right. But about the fee, I say that there should be no fee charged for this. Any application from asked for be supplied free. About the time, of course, an amendment is being brought, but I think there should be no limitation period. I will go so far as to say that.

**Shri M. R. Masani:** Mr. Deputy-Speaker, Sir, I am sorry that the last two speakers seem to imagine that we are a country of crooks. After all, there are thousands of middle class people, salary earners, government officials, private employees, lawyers, doctors and others who honestly pay their tax. This clause does not anywhere say that it shall apply only to malefactors or other who evade taxation. This clause can be applied to any honest citizen here. Even in the case of any honest citizen, a salaried government servant or a private employee in whose case the tax is deducted directly at the source, somebody can poke his nose and say, let me know what is happening. Is there any such thing as privacy or not? It is not a matter of secrecy. It is a matter of privacy. Every citizen has a right to be left alone to deal with his own business, to be free from people poking their nose into his business. It seems to me that the last two speakers do not seem to appreciate the concept of privacy, which is after all part of a free society. It is true that in a totalitarian dictatorship, fascist or communist, Big Brother is watching and you cannot get away from the official eye. But where a man is honest and doing his job honestly, he has a right to be left alone. Certainly, as drafted by my hon. friend Shri Sachindra Chaudhuri, in his amendment, I will say that it is an improvement on the original clause. His amendment is a better

refinement on the draft placed before the House. To talk in that way maligning our country like this, day in and day out, will mean that there are no honest people in this country. I certainly would like to enter my caveat against such loose talk.

**Shri Himatsingka:** Sir, I had an amendment in my name but as Shri Morarka's amendment was slightly better I did not move my amendment. I am surprised that Shrimati Renu Chakravartty and Shrimati Renuka Ray should have made a grievance for this alteration or this new amendment that has been moved by the hon. Finance Minister. Were they not parties to the Act that was passed in 1961, where there was a total prohibition under section 137 for such disclosures?

**Shrimati Renuka Ray:** I have not made a grievance of the Government amendment.

**Shri Himatsingka:** She was a Member of this House when this Act was passed. This has been the case throughout, and no valid grounds have been shown as to how it will help the revenue or the public interest if somebody wants to take copies, except perhaps for blackmail or some other trouble. If anybody has any information there is no bar to his supplying it to the department even now without even asking for copies, and the power has been given to the Commissioner to supply copies of assessment if he thinks that it is in the public interest. What more do they want, I cannot understand? Anybody suggesting anything salutary is being talked of as if he is helping the evaders or persons who do not pay their tax. Sir, I support the amendment moved by Shri Morarka.

**Shri T. T. Krishnamachari:** Sir, the original clause as it stood has evoked a lot of criticism. In fact, I think my hon. friend, Shrimati Renu Chakravartty supported the original clause as it stood. In any event, Government took note of this criticism and the

(Mr. T. T. Krishnamachari).

amendment has been tabled. The amendment tabled is a great restriction on the original clause, I admit. In any event, we would like to see how it works. If we find that it does not work, then an amendment could be made. The safeguards are that the Commissioner is the person to give the information. The only reason why he should give it is that it is in the public interest to do so. The judgment of the Commissioner should not be called into question because he should not be exposed by somebody saying that he should deny to give the information or that he should give the information; therefore he ought to be called into question in a court of law. So, these three conditions are satisfied by this amendment.

Far be it from me, Sir, to question the amendment tabled by such an eminent lawyer as Shri Sachindra Chaudhuri. It is in one sense a refinement. It says:—

“Where a person *bona fide*”.

Who is to decide the *bona fide*? Is the Commissioner to decide the *bona fide*? If the Commissioner does think that a person made a *bona fide* request and it turns out to be *mala fide*—of course, punishment is prescribed, but what about the Commissioner himself? Once he has obtained the information, are we to follow him, keep a watch on him, send a policeman behind him? While I, undoubtedly, recognise that the amendment has been framed with a view to protecting private persons, I think, it just bristles with difficulties. It is better that there is no amendment of that sort at all when so many conditions are hedged on a person giving information and then misuses the information.

Often times, I do not mind admitting, this information may be given to an informer for getting more information. It might quite conceivably be that he is an informer; but the Commissioner

would not give it unless revenue considerations are paramount and big. Nobody wants to go and worry a small person and that information will not be worth while. In any event, it must be in the public interest to do so, that is, to publish the information; so that revenue considerations are predominant.

My hon. friend, Shri Morarka's amendment does not go as far as Shri Sachindra Chaudhuri's; but even so he wants us to prescribe the cases....

**Shri Morarka:** Type of information.

**Shri T. T. Krishnamachari:** Type of information. I think, the Commissioner will have rules of guidance as to what he would do. I do give the assurance. The Commissioner will be informed as to what type of information he could give, because I am perfectly certain next year he will be very chary of giving information. The Commissioner himself has a responsibility. I can assure him that the Central Board of Revenue will issue instructions to the Commissioner what type of information should be given. But if he feels that information is to be given, his judgment cannot be fettered altogether because, after all, he is a person who is Commissioner today and who will be a Member of the Central Board of Revenue tomorrow. He is a person of sufficient standing and experience in the world.

Of course, my hon. friend, Shri Masani's objection is fundamental. These buccaneers sitting opposite him are trying to hire people to carry out their task and if they do not find them, they could go out themselves; or, they cannot sail in these seas where there is no water. Shri Masani is a very intelligent person. What does he gain by this language, as the buccaneering element, the totalitarian government? I am sure, the press cannot—even with the amendment of Shri Gandhi, I do not think they

would care to publish all this. It is not possible... (*Interruption*). I know he has got a paper at his command. I do not know what he will do with it.

I think, the amendment as it is now framed gives a reasonable chance for the Commissioner to act, but it does not go all the way. We intend to publish the names of assesseees. Of course, we will not do it for people getting an income of less than Rs. 15,000 or Rs. 20,000. It is not worth while. We do not want to waste paper on publishing the incomes of everybody. But that provision is there. Hon. Members might see that while we originally omitted clause 137, we have protected the assessee against a public servant misbehaving subsequently. That has been put in. Therefore we have taken every precaution to see that there is no abuse. I, therefore, suggest to my hon. friends not to press their amendments and to leave the Government amendment as it is.

17 hrs.

**Mr. Deputy Speaker:** Shall I put amendment No. 179 to the vote of the House?

**Shri Kashi Ram Gupta:** No I withdraw it.

*Amendment No. 179 was, by leave, withdrawn.*

**Mr. Deputy Speaker:** I shall now put Government amendment No. 52 to the vote of the House. The question is:

Page 20, for lines 28 to 34, substitute

"138. (1) Where a person makes an application to the Commissioner in the prescribed form for any information relating to any assessee in respect of any assessment made either under this Act or the Indian Income-tax Act, 1922, on or after the 1st day of

April, 1960, the Commissioner may, if he is satisfied that it is in the public interest so to do, furnish or cause to be furnished the information asked for in respect of that assessment only and his decision in this behalf shall be final and shall not be called in question in any court of law.

(2) Notwithstanding anything contained in sub-section (1) or any other law for the time being in force, the Central Government may, having regard to the practices and usages customary or any other relevant factors, by order notified in the Official Gazette, direct that no information or document shall be furnished, or produced by a public servant in respect of such matters relating to such class of assesseees or except to such authorities as may be specified in the order." (52).

*The motion was adopted.*

**Mr. Deputy Speaker:** Shall I put amendment No. 111 to the vote of the House?—No.

*Amendment No. 111 was, by leave, withdrawn.*

**Mr. Deputy Speaker:** Shall I put amendment No. 139 to the vote of the House?—No.

*Amendment No. 139 was, by leave, withdrawn.*

**Mr. Deputy Speaker:** Shall I put amendment No. 142 to the vote of the House?—No.

*Amendment No. 142, was, by leave, withdrawn.*

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

"That clause 33, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 33, as amended, was added to the Bill.*

**Mr. Deputy Speaker:** Now, we take up clause 34.

**Shri Masani:** May I make a submission? I think, in the last three hours we have gone through at least 33 clauses and we have the whole of Tuesday before us. We have put in a lot of work and, I think, we shall be easily able to finish well ahead of time even if we adjourn now. It is now 5 O'clock. May I suggest, as we are ahead of time and there is the whole of Tuesday before us and we can finish easily by 5 O'clock on Tuesday, that we may adjourn now?

**Shri Trivedi:** We are all tired now.

**Shrimati Renu Chakravartty:** Yes.

**Several Hon. Members:** Yes.

**Mr. Deputy Speaker:** Does the House agree that the Finance Bill

will be concluded at 5 O'clock on Tuesday and no extension of time will be asked for? Is that the sense of the House?

**Several Hon. Members:** Yes.

**Mr. Deputy Speaker:** All the stages of the discussions will be over by 5 o'clock and no further extension of time will be asked for.

**Several Hon. Members:** Yes.

**Mr. Deputy Speaker:** So, at 5:00 P.M. on Tuesday the Finance Bill will be concluded. The House stands adjourned now.

17.02 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, April 21, 1964 (Vaisakha 1, 1886 (Saka).*