**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 1966-67 be taken into consideration."

*The motion was adopted.*

**Mr. Speaker:** 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 Sachindra Chaudhuri:** 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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15·47 hrs.

## FINANCE BILL*, 1966

**Mr. Speaker:** As the House is aware, 17½ hours have been allotted for all the stages of the Bill. I would like to take the sense of the House as to how these 17½ hours should be distributed among the various stages of the Bill. Would 10 hours and 7½ hours do?

**Shri Hari Vishnu Kamath** (Hoshangabad): 12½ hours and 5 hours will be all right, I suppose.

**Mr. Speaker:** I have no objection if Members want 12½ hours and 5 hours.

**Some hon. Members:** Yes.

**Mr. Speaker:** All right, then. The time-limit for speeches will, as usual, be 15 minutes for Members and up to 30 minutes for Leaders of Groups, not half an hour for every leader.

**The Minister of Finance (Shri Sachindra Chaudhuri):** Sir, I beg to move†.

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1966-67, be taken into consideration."

Sir, in my Budget Speech, I have explained the basic objectives and ideas underlying my proposals in the Finance Bill, 1966, and also outlined the main features of its important provisions. The specific provisions in the Bill have also been set forth in some detail in the Explanatory Memorandum circulated to Hon'ble Members. In the field of direct taxes, apart from raising the necessary additional resources, principally the provisions in the Bill are designed to enhance the process of rationalisation and simplification initiated last year by making a number of modifications in the law. In so doing it was also intended that the burden of taxation is distributed so that the economically weaker sections of society may have less of the rigours. Other important objectives of these proposals are to provide further encouragement for expansion of industry and to enable it to participate in the development of other developing countries.

The Bill has now been before the hon'ble Members for nearly eight weeks. During the general debate on the Budget, the scope and objects of the proposals and the main fiscal

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*Published in Gazette of India Extraordinary Part II, Section 2, dt. 29-4-66.

†Moved with the recommendation of the President.

[Shri Sachindra Chaudhuri]

measures in the Bill were subject to close scrutiny and constructive criticism. The proposals have also created wide interest in this House as well as outside.

**14.49 hrs.**

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

Sir, it gives me a feeling of encouragement to find that generally it is recognised by different sections of my critics that the measures proposed in the Bill deserve support. It is true (and this was not unexpected) that the Bill also met criticism which has been directed mainly against the proposals for additional levies for raising resources. Sir, I am truly grateful to hon'ble Members for their constructive and understanding evaluation of the proposals in the Bill and their comments on some of its specific provisions. I have also had the advantage of studying several representations and memoranda from members of the public, chambers of commerce and other public bodies in regard to the specific contents of the Bill and, as these merited, I have given careful and anxious consideration to these views and suggestions. After so doing, I have formulated certain measures for rationalising and modifying some of my original proposals. The Government amendments to the Bill that are being tabled seek to implement these proposals and make a few other changes in some of the provisions in the Bill. A Memorandum explaining these amendments will be circulated to hon'ble Members. I wish I had them ready and circulated earlier. But I will try to do over the week end. These amendments proposed, if accepted by this House, will result in adding somewhat to the deficite already left in the Budget. I have a resistance to deficit in a Budget, but to serve the objectives fully explained in my earlier speech, I find myself compelled in the economic climate of the country to yield to this deficit. I hope, however, the further relaxations will be compensated by greater production they are expected to induce and by the better formation of capital for productive purposes. I proceed now to explain the purpose of the principal amendments proposed by me.

As the House is aware, one of the proposals in the Finance Bill in regard to taxation of personal incomes is an increase in the limit of total income not chargeable to tax by Rs. 500, from Rs. 6,000 to Rs. 6,500 in the case of resident Hindu undivided families satisfying certain conditions, and from Rs. 3,000 to Rs. 3,500 in the case of other resident non-corporate taxpayers. I now propose to raise these exemption limits further by Rs. 500 in each case. This will mean that in the case of a resident Hindu undivided family satisfying certain conditions, no tax will be payable unless its total income exceeds Rs. 7,000, and in the case of other non-corporate tax-payers, no tax will be payable unless the total income exceeds Rs. 4,000. While the cost to revenue of this further concession will be about Rs. 30 lakhs only, it will have the effect of exemption an additional number of about 20,000 persons in the lower income brakets from tax. Social welfare measures which provide for such things as health, superannuation, education for children, are not capable of being provided to a full extent and, in the light of this, this House will, I hope, agree with me the fresh exemption limit proposed is justified. Incidentally, this proposal if passed, will ease administration to some extent.

Some hon'ble Members had spoken about the need for simplification of the Annuity Deposit Scheme. I have already proposed to exempt persons with total income up to Rs. 25,000 from the requirement of making annuity deposits in respect of their income for the current year, onwards.

This measure is expected to reduce the number of depositors from 1,76,000 to 80,000.

I have given further thought to the matter of simplification of the Annuity Deposit Scheme for those who will still be liable to make the deposits. At present, advance annuity deposits have to be made in quarterly instalments, by certain specified dates. Failure to make the deposits by such dates entails liability to a penalty. Depositors have also to send an intimation to the Income-tax authorities about the deposits, together with counterfoils of the certificates, to enable them to keep a watch over the collections and effect recoveries, where necessary. I now propose to remove the requirement of making deposits by specified dates, in order to enable the depositors to make the deposits during the financial year at their own convenience, at times and in amounts of their choice. Intimations about the deposits will have to be sent to the Income-tax authorities only at the time of filing the return of income, for the purpose of claiming the deduction of the amount deposited in computing the taxable income. Deposits will, normally, have to be made not later than the end of the financial year immediately preceding the relevant assessment year.

At present, a depositor is required to make the full amount of the deposit calculated at the specified rate, and any short-fall from the full amount is recovered from his as if it were arrears of tax. I now propose to remove this provision with effect from the 1st April, 1967 to secure that there will be no enforcement of recovery in respect of any short-fall in the deposit in respect of the assessment year 1967-68 onwards.

Further, under the existing provisions, where a depositor had exercised the option not to make the deposit, he becomes liable to pay a certain additional amount as penal tax. This option has to be exercised in the very first year in which the depositor becomes liable to make the deposit, and the option, once exercised, is final for all times. I propose to remove this provision for exercise of such option, and to enable a depositor to deposit any amount of his choice, upto the ceiling amount calculated at the specified rate. He will get the benefit of a deduction in the computation of his taxable income, only for the actual amount deposited, upto the ceiling amount. If there is any short-fall in the deposit from the ceiling amount, the depositor will be liable to pay the additional amount as penal tax, calculated only with reference to the short-fall. If the deposit actually made is in excess of the ceiling amount, the excess will be carried over to the following year and will be treated as a deposit for that year and qualify for deduction accordingly. Again, in the case of a person having a total income not exceeding Rs. 25,000, and also in the case of an individual over 70 years of age, there will be no liability for penal tax, even if no deposit is made by him or if the deposit actually made falls short of the ceiling amount.

**15 hrs.**

In the case of persons whose total income exceeds Rs. 25,000 by a small amount, I propose to provide a measure of marginal relief in view of the circumstance that persons with total incomes up to Rs. 25,000 have been exempted from the requirement of making annuity deposits. It will be open to such a person to make the annuity deposit calculated at the prescribed rate on the whole of his incoms and obtain the benefits of the deduction for the deposit in computing his taxable income; but where such a person chooses not to make the deposit or makes a short deposit, the penal tax will be computed with reference only to the amount by which his total income exceeds Rs. 25,000. For example, if the total income of an individual is Rs. 26,000, the deposit to be made by him at the prescribed rate of 7½ per cent is Rs. 1,950. If he makes a deposit of this amount, he

[Shri Sachindra Chaudhuri]

will get the benefit of the deduction of that amount in computing his taxable income. However, if he chooses not to make the deposit, the penal tax in his case will be calculated on the basis that the deposit required to be made by him was only Rs. 1,000 (that is to say, the amount by which his total income exceeds Rs. 25,000), and not Rs. 1,950.

One of the results of the changes mentioned by me will be that persons with total incomes between Rs. 15,000 and Rs. 25,000 will also be in a position to make deposits for any year according to their choice, without having to exercise an option in writing to make the annuity deposits, as proposed in the Bill. It will be open to such persons to make the deposit in any financial year up to the extent they choose, without being bound to make the deposits in all subsequent years.

**श्री ओंकार लाल बेरवा** (कोटा) : उपाध्यक्ष महोदय, हाउस में कोरम नहीं है ।

**Mr. Deputy-Speaker:** The bell is being rung. There is quorum now.

**Shri Sachindra Chaudhuri:** Hon Members are aware that in the case of closely-held domestic companies, the Bill proposes to increase the rate of tax on their income by 5 per cent. from the level of their taxation under the Finance Act of 1965. This increase is in consonance with a similar increase which has been proposed in the case of domestic companies in which the public are substantially interested. Thus, in the case of closely-held domestic companies, the general rate of tax under the Bill is 65 per cent., with a concessional rate of 55 per cent. on the first Rs. 10 lakhs of the income of such of those companies as are mainly engaged in certain industrial activities, that is to say, generation or distribution of electricity, mining, construction of ships or the manufacture or processing of goods. Sir, I have given close thought to the position regarding the taxation of closely-held companies. A higher rate of tax on such companies than on companies in which the public are substantially interested is fully justified to reduce undue concentration of wealth.

**श्री ओंकार लाल बेरवा** : उपाध्यक्ष महोदय, हाउस में कोरम नहीं है ।

**Mr. Deputy-Speaker:** The bell is being rung. Now there is quorum. The hon. Minister may continue.

**Shri Sachindra Chaudhuri:** Closely-held companies which are engaged in industrial activities, however, also have a responsible role to play in expanding production. While a tax differential has still to be maintained between even these companies and widely held companies, this differential in industry and production-oriented closely-held companies does not, in my view, need to be as large as when such companies have no industrial or productive activity. I, therefore, propose to reduce the general rate of tax on closely held companies engaged in these industrial activities by 5 per cent, from 65 per cent, as proposed in the Bill to 60 per cent. This will still leave a differential of 5 per cent between widely held companies and these closely-held companies. The reduced rate will, of course, apply to the slab of their incoms over Rs. 10 lakhs. This reduction in the tax rate, which will cost the Exchequer about Rs. 4 crores during the year 1966-67, will help such companies in having a larger amount of after-tax income for ploughing back into their industry. In the case of closely-held domestic companies of other categories, I do not propose to make any change in the rates of tax as laid down in the Bill.

In the case of closely-held Indian companies which are partly but not mainly engaged in specified industrial activities, the Bill proposes to exempt such companies from penal tax for their failure to distribute dividends up to the statutory percentage out of their income from such activities. The provisions as it stands in the Bill, is not applicable to investment companies which, under the law, are required to make a compulsory distribution of 90 per cent. of their distributable income. In order to provide a measure of incentive to Indian investment companies to take to industrial activities, I propose to extend to such companies the exemption from penal tax for non-distribution of their profits from industrial activities.

Under the existing provisions of the Income-tax Act, tax relief is admissible to individuals and Hindu undivided families in respect of premiums paid on life insurance policies. Recently, a view has been taken by the courts that premiums paid on a Pure Endowment assurance policy or a Children's Deferred Endowment assurance policy do not qualify for tax relief under this provision, in view of the position that the capital sum assured under these policies does not become payable in full on the death of the life assured before a stipulated date. However, considering that savings in terms of such policies are very common and are of considerable importance to individuals, particularly for those whose lives are not insurable, I propose to make a provision in the Income-tax Act to make premiums paid on these policies also elibigle for tax relief.

One of the proposals in the Bill seeks to amend the provisions of the Income-tax Act relating to the exemption from tax of the income of charitable trusts and institutions set up after the 31st March, 1962. Under the provision as proposed to be amended, a charitable trust or institutions set up after that date will forefeit the exemption from the tax on the whole of its income if under the terms of the trust, or the rules governing the institution, or in actual fact, any part of its income or property is used or applied during the relevant previous year directly or indirectly for the benefit of the author or founder of the trust or the institution or a person who makes a substantial contribution to it or any relative of such author, founder or contributor.

I have again examined this provision and have also considered the views which have been expressed to me by the Chambers of Commerce and other public bodies. I feel that, in order to encourage charities and to avoid undue hardship, a charitable trust which, either in terms of its deed, rules or in actual fact, confers benefit on relatives of the author or founder, or a substantial contributor to, the trust, of the value not more than 25 per cent of the income of the trust should not be denied the exemption which it is otherwise entitled to, in respect of the rest of the income which is utilised for charitable purposes in favour of persons other than such relatives.

As Hon'ble Members are aware, the Bill contains a provision for amending the Unit Trust of India Act for exempting from tax dividends on units upto the first Rs. 1,000 in the case of all individuals, irrespective of the magnitude of their total income. In consonance with this provision, I propose to make a further amendment to the Unit Trust of India Act to enable the Trust to pay to its non-resident unit-holders dividends in an amount not exceeding Rs. 1,000, during the relevant financial year, without deducting tax at source. In the case of non-resident unit-holders who receive dividends on units in amounts exceeding Rs. 1,000, the existing provision for deduction of tax at source on the whole of the dividend income at the rate of 15 per cent will continue.

[Shri Sachindra Chaudhuri]

I have studied carefully the serval criticisms made both in Parliament as well as outside against the excise duty increases and I must confess that I am not impressed by the argument that the increase in excise duty on sugar will affect adversely the sugar industry. As I have already explained, the increase in duty is meant primarily to cover the substantial subsidy that has to be paid on exports of sugar. As we cannot deny that benefits fiow from the foreign exchange earnings on these exports, we have to find the funds to finance the subsidy which in the present context can only come from taxation of this nature.

It has been urged that the increase in excise duty on cotton fabrics will adversely affect the cotton mill industry. I do not think there is any basis for this apprehension as hardly 15 to 20 per cent of the entire production of the cotton mill industry will be affected by these increases. The small scale sectors, specially of cotton textile and paper board industries may, however, be affected somewhat adversely by some of the increases in excise duties. I have given this aspect very careful consideration and I have formed the view these small scale sectors need some relief. Accordingly I am proposing to give relief to handloom textiles by restoring the pre-budget effective duty on cotton yarn cleared in the form of hanks in the count groups 22-23 nf. (*i.e.* 'hank yarn' in the count groups 22—28 nf. will be to tally exempted, and in the count group 29—33 nf. will again pay the small duty of 5 paise per kg.). Following this it has become necessary also to reduce by 10 paise per kg. the duty on yarn in other forms used by the other sectors of the industry. Some relief is proposed to be given also on grey coarse and medium fabrics manufactured by larger powerloom units having 50—300 looms, in order to enable them better to withstand competition from the composite mills on the one hand and the smaller powerlooms on the other.

The manufacturers of cheaper varities of paper boards, namely, 'mill boards' and 'straw boards' (which are manufactured mostly in the small scale sector) have a grievance about the high incidence of the duty which has been accentuated by the reduction in the slab concessions. Relief has been proposed in the case of these two varieties of boards by reducing their effective duty from 42 paise per kg. to 28 paise per kg.; in addition some slab concession in the effective rate of duty will also be given for the first 500 tonns. These concessions will, however, not be available to other boards which are relatively higher priced.

The small scale non-mechanised sector of the match industry has for sometimes past been pressing for increase in the existing ceiling limits of the different classes of match factorites. I have considered these representations carefully and I have proposed suitable changes in the levies which would enable them to produce in excess of the present ceilings and at the same time, pay only a slightly higher duty on such excess production.

In addition to these concessions, I also propose to exempt totally the excise duty on sulphuric acid used in the manufacture of chemical fertilizers; along with this, the regulatory customs duty on sulphur imported for such use is also being exempted. These fiscal reliefs are intended to reduce the cost of manufacture of chemical fertilizers and so to assist agricultural production.

The cumulative effect of all these concessions in customs and excise duties may be about rupees two crores for a full year.

Notifications giving effect to these concessions are being issued. In addition to these it may be necessary to make marginal adjustments in some of the other excise levies, particularly the two new levies on 'optical bleaching agents' and 'surface active agents' so as to minimise the need for excise control on small manufacturers who work mostly without the aid of pewer. The details are being worked out.

Finally, I shall refer to tax credit on export in regard to which I have received a number of suggestions. I have given earnest consideration to these suggestions in the light of the need to encourage exports, and I find that an increase in the rate of tax credit to the export of jute carpet backing is merited. The exact rate will be announced later but it will not take the total rate beyond 10%. This will cost the exchequer about Rs. 1·25 crores for a full year, but it would achieve its purpose, it is hoped, by an increase in the volume of export of this commodity.

To sum up, the further concessions now proposed by me will cost the Exchequer about Rs. 7·75 crores during the financial year 1966-67. This will increase the deficit which was left uncovered by me from Rs. 25 crores to Rs. 32·75 crores.

Sir, as I have indicated earlier, I have proposed these modifications partly to provide further relief to persons in the lower income brackets and partly to stimulate production. In concluding my speech, I may be permitted to express the hope that the modifications which I have proposed to stimulate production will have the desired effect and that, with increased production, the revenue yield would also correspondingly increase. This, I have been assured of, by many and various persons including certain of the hon. Members in this House. If this happens, the deficit which now stands at Rs. 32·75 crores may, in fact, be less.

Sir, I move:

**Mr. Deputy-Speaker:** Motion moved:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1966-67, be taken into consideration."

Shri Dandeker.

**Shri N. Dandeker** (Gonda): Mr. Deputy-Speaker, Sir, in opposing this Motion, I would like to begin by referring to two praiseworthy features in the Finance Bill which are of an outstanding nature. For that I would like to offer to the Finance Minister our best congratulations. The first, Sir, is the reorganisation of the structure of corporate taxation. It was a nightmare over the last few years to ascertain at any given time, for any given company what precisely was the rate of tax applicable. Now the rates of tax are specified in a straightforward manner, and I am quite certain that this is a move in the right direction and, as I said, it is very praiseworthy. The other matter which is praiseworthy and which is also important consists of four important tax reliefs. The first and the most important is the abolition of the tax on issue and receipt of bonus shares; secondly, partial abolition of tax on dividends; thirdly, a trifle relief in company sur-tax; and fourthly, the now considerably improved position in regard to the compulsory annuity deposits. I will refer, when we come to clause-by-clause consideration, to a number of points relating to these various matters. But I would like to say that on the whole, this is all to the good; and there can be no doubt, that these measures which are embodied in the Finance Bill plus the changes which the Finance Minister announced today have had the effect of imparting a measure of firmness to the collapsed undertone of the stock exchanges. But I must add that they did no more than that. At present the investment climate generally and the stock exchanges in particular have an improved undertone but I do not think the Finance Minister will venture to state that the investment prospects have improved to a point at which one can, with some confidence, hope to make successful new flotations. And that, Sir, is the test, namely whether the Finance Bill will revive the dynamism in the economy to which the Finance Minister referred in his budget speech. I will take the liberty of quoting him as to the

[Shri N. Dandeker]

standard by which the Finance Bill, in its effects, has to be judged. I refer to paragraph 19 from the speech he made on the day he introduced the budget. This is what he said:

"More and more, the possibility of raising additional internal resources will depend on the growth and dynamism of the Indian economy itself....From this point of view, I attach importance to strengthening and maintaining the confidence of the private sector... It is not necessary for me to dewell at any length on the malaise of the capital market which has continued now for more than three years......There cannot be any doubt that the revival of the capital market and a greater flow of private savings to industry in the form of equity investment are desirable in the larger social interest."

It is, Sir, by the those standards that I propose to judge whether the Finance Bill stands up to the Finance Minister's own specifications, namely, whether it will encourage or increase the flow of savings, whether, in particular, it will direct savings into the capital market in the direction of equity shareholdings and, thereby, whether this Finance Bill is calculated to increase capital formation. My submission is that it will do nothing of the kind. Apart from improving the undertones slightly, I see nothing in this Bill that can be said to impart *dynamism* to the economy; which is the word the Finance Minister used. On the contrary, Sir, the bill of goods which this Finance Bill presents is this. The special duties of customs are to continue; so also the regulatory duties of customs. In the matter of excise duties, considerable increases are to be enforced; the special duties of excise are to continue; and the regulatory duties of excise are also to continue.

And here, Sir, I would like to interject the observation that when last year these Regulatory duties and these special duties were improved, and when in the second Finance Bill of last year fantastic increases in customs and excise duties were also improved, the main purpose of all this was to prevent the rupee from falling further in internal and international value. In other words, it was claimed as a counterpoise to the otherwise deteriorating position of the rupee, so as to make devaluation unnecessary. None of these expectations has been achieved. All that was achieved was a tremendous additional draught on the economy.

The present Finance Bill also increases the rate of Central sales tax and the rate of special sales tax; and it increases also income-tax rates and corporation tax rates. It was preceded by increases in railway freights of a very considerable amount.

Whenever one makes references to this continually mounting burden of taxation, direct taxation, indirect taxation, increases in railway freights and so on, year after year, this steadily increasing burden of taxation is sought to be minimised by vague excuses of various kinds. The kind of phrases that are used are that "by and large," in the long-term "perspective" on a "broad canvas", it is all for everybody's good, especially that of the common man. And if one points out that over the last fifteen years the common man has been perhaps the one who has got the worst part of the deal then, of course, there is a little hedging around and they say: well, he may not benefit in this generation; maybe, not even in the next generation, but perhaps some time later, there is a sort of *nirvana* or *moksha* to be expected by him, at some time or the other, after the nth five year Plan is through. This kind of systematic continuous and massively increasing burden of taxation is a matter which I feel must be exposed both in its general implication and specifically in terms of what is sought to be done by this Finance Bill.

I shall, therefore, attempt, Sir, to give a brief outline of the magnitude of drafts on the economy that have been made, both generally and also by way of taxation specifically, *i.e.* of the income taken out of the economy by the Central and State Governments taken together. First, I must mention the direct taxes. Over the last ten years, this is the history. In 1955-56, the Central Government's direct taxes and the State Governments' land revenue took out of the economy only Rs. 248 crores; in 1960-61 they took out Rs. 388 crores, and in 1965-66, Rs. 732 crores. That is to say, the aggregate amount has gone up from Rs. 248 crores to Rs. 732 crores, which is just about three times. The infliction by way of indirect taxation has been even worse. The Central and State indirect taxes taken together, have taken out of the economy, beginning with Rs. 516 crores in 1955-56, as much as Rs. 2043 crores in 1965-66, that is, a four fold increase.

At this point Sir, I feel I must interject one comment on the sort of excuses which the Finance Ministers of the Central Government have advanced, year after year in justification of the continually increasing burden of indirect taxation, namely that the particular amount of indirect taxation additionally imposed in that year should have no effect at all on the price level. I am supposed to believe, for example, that the total burden of excise duties imposed this year will have no effect on prices. This has been happening year after year until we have reached a point in 1965-66. (I am talking about the last year) where the total abstraction from the economy by way of indirect taxation of the Central and State Governments was Rs. 2043 crores. If you read the speeches of the Central Finance Ministers year after year as well as of the State Finance Ministers, you will find the story that despite substantial amounts being imposed by way of indirect taxation, it should not affect the prices at all. How on earth this enormous amount of indirect tax is to be paid by those who actually sign the cheques except by way of raising the prices of the commodities they sell, I do not know. My arithmetic may be completely wrong, and my economics may be worse, but I am quite certain that this Rs. 2043 crores of indirect taxes cannot possibly be paid out of profits. There are no profits of that magnitude from which excise duties which are now Rs. 1393 crores and State indirect taxes which are now, that is to say, during the last year, Rs. 650 crores could be all paid without increasing the prices of the products concerned.

The grand total of the abstraction from the economy by way of taxation had increased from Rs. 767 crores in 1955-56 to the magnificent figure of Rs. 2800 crores in 1965-66.

But that is not the only draft on national income. There are also other matters that go to abstract from the national income and divert resources to the public exchequer. There are things like non-tax revenues. Then, there are internal borrowings. (Of course, external borrowings do not abstract resources from the national economy.) Then, there is the PL-480 technique of concealed deficit financing; and there is, of course, open deficit financing. And now, of late, deficit financing by State Governments in the form of overdrafts from the Reserve Bank of India. The total such abstraction from the economy, from the national income, in 1960-61 was Rs. 2563 crores, and in 1965-66 it had gone up to Rs. 5339 crores. Thus more than twice the total amount of the entire First Five Year Plan investment has been taken out of economy in 1955-56 by various ways of making drafts on the national income.

When this kind of situation is exposed, the Finance Ministers, including, I regret to say, our present Finance Minister here, shift their ground and say 'Ah! But this is an insignificant proportion of the national income.' So, I think I shall take a look at that one.

[Shri N. Dandeker]

The position is this. In 1960-61, 18 per cent of the national income was diverted to the public exchequer. In 1965-66 the percentage of total national income diverted to the public exchequer was 26 per cent. I do not know whether this is regarded as minimal, as something quite trifling, but even if it is, I think that in order to get a proper assessment of this, it is necessary to consider what the *increase* in the national income was over the five years and how much of that *increase* has been taken away by diversion to the public exchequer. Then the figures become startling. On a percentage basis, the national income over the five years at current prices increased by 50 per cent; and the *increased* amount taken by the Governments out of the *increase* in national income works out to 21. And that means, if I get my arithmetic aright, that 42 per cent of the increased national income was abstracted from the economy by the aggregate drafts made on it by the Central and State Governments. Judged by any standard, under any kind of assessment of the extent to which our economy could stand continual abstractions from the national income, a rate of 42 per cent seems to me to be exceedingly high.

In case anybody thinks that these are merely figures of national income, let me say at once that I agree that it is not national income which pays taxes, but it is individual human beings who pay taxes. But the Finance Minister played this one down in his reply to the budget debate when he said that the abstraction by way of taxation out of national income in 1960-61 was only about 9·6 per cent,—that is the Reserve Bank's estimate—whereas in 1965-66, according to the Reserve Bank's estimate, slighlty moderated on the basis of the recent figures published by the Statistical Institute, it comes to only about 15 per cent.

But Sir, as I said, it is the human beings that we tax. So, if you have a look at this in terms of its impact *per capita*, the impact is this. The national income *per capita* at current prices, five years ago, was Rs. 325; at current prices, in 1965-66 it will probably be Rs. 440, which means an increase of Rs. 115 over five years. The average rate of taxation on national income, and hence on income *per capita* has risen from 9·6 per cent to 15 per cent. This means that this trifling addition of Rs. 115 to the income per capita will suffer taxation at 35 per cent. I do not know whether anybody thinks that this just means nothing. If the national income *per capita* is so low as Rs. 440, and if out of that Rs. 440, something like Rs. 66 is taken away as against only Rs. 31 when the national income *per capita* was Rs. 325 five years ago there is here an exceedingly high incremental rate of taxation. Rs. 115 is the increase in *per capita* national income, and Rs. 35 is the increase in *per capita* taxation representing a 30 per cent rate of taxation, I suggest that this is monstrous.

I have also some figures in regard to what may be called disposable income in respect of people with larger incomes, incomes up to Rs. 70,000, and the story is the same. I have examined the slabs of income at Rs. 10,000, Rs. 20,000, Rs. 40,000 and Rs. 70,000. The disposable income after tax in 1950-51 as compared with the disposable income after tax under the Finance Bill 1966, and after allowing for annuity deposits where applicable is as follows. Those with incomes of Rs. 20,000 have had their disposable income reduced by Rs. 1300; those with incomes of Rs. 40,000 have had their disposable income reduced by Rs. 3500 nearly; and those with an income of Rs. 70,000, have their disposable income, reduced by Rs. 6,000. But when you take into account also the fact that prices have meanwhile risen by more than 60 per cent. I do not see from where the savings which are so important for the growth of the economy are going to come. The actual fact is that the "after-tax disposable income" at standard prices, that is at 1952-53 prices (which is taken as the base) of the groups I have just mentioned has gone down tremendously.

There has been a rapid rise in prices, as everybody knows........

**Mr. Deputy-Speaker**: He may continue tomorrow. We will take up non-official business now.

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15.30 hrs.

## COMMITTEE ON PRIVATE MEMBERS' BILLS AND RESOLUTIONS

### EIGHTY-SEVENTH REPORT

**Shri Shree Narayan Das** (Darbhanga): I beg to move:

"That this House agrees with the Eighty-Seventh Report of the Committee on Private Members' Bills and Resolutions presented to the House on the 28th April, 1966".

**Mr. Deputy-Speaker**: Motion moved:

"That this House agrees with the Eighty-Seventh Report of the Committee on Private Members' Bills and Resolutions presented to the House on the 28th April, 1966".

**Shri Hari Vishnu Kamath**: Hoshangabad): May I invite your attention to paragraph 4 of this Report. I would request my hon. colleague to pay some attention to this paragraph. That refers to the categorisation of Bills, and my Bill also finds a place in that paragraph as item 4—the Constitution (Amendment) Bill, 1966 (amendment of articles 59, 66 etc.)

It is true I was present at the meeting of the Committee on Private Members' Bills and Resolutions, but subsequently when I pondered over the matter, I had second thoughts, and I would now seek the permission, generosity, of the House in ensuring that this Bill is placed in category 'A', because, briefly, I would say that the Bill seeks to provide that certain high dignitaries of the State of our country, under the Constitution, namely, the President, the Vice-President, the Speaker, and Deputy-Speaker at the Centre—no personal reflection upon you at all, Sir.

**The Minister of State in the Ministry of Home Affairs and Minister of Defence Supplies in the Ministry of Defence (Shri Hathi)**: Ministers also.

**Shri Hari Vishnu Kamath**: No, no. They do not find a place in that. There is another.

Then the Speaker and Deputy-Speaker in the States, and Governors of States. These dignitaries should not be members of any political party and should not engage in any partisan political activity during their terms of office. Certain recent happenings, for intance, in Kerala particularly forcussed public attention on this fact. I would be happy—so I believe the House too would be happy—if this Bill is placed in category 'A' so that it can be discussed as soon as possible and heathly conventions established in our country for the promotion of true parliamentary democracy here.

I therefore move that so far as item 4 of para 4 of the Report is concerned, it may be placed in category 'A'.

**Mr. Deputy-Speaker**: You want it to be referred back to the Committee.

**Shri Hari Vishnu Kamath**: If the House can decide, well and good; otherwise, let it be referred back to the Committee—I do not mind.

**Mr. Deputy-Speaker**: It may be referred back to the Committee, sub-item 4 of item 4. I will put the rest of the Report to the House.