

[Shri T. T. Krishnamachari]

the tax should be extended. Under the structure of that scheme, it was not possible to meet this suggestion except to a very limited extent. I now propose to introduce a fresh scheme for voluntary disclosure of unaccounted income which will be in operation from today until the 31st March, 1966. One of the distinctive features of this scheme is that tax will be charged on the whole of the disclosed income taken as a single block, at the rates prescribed for personal income or corporate income by the Finance Act, 1965, and not at an ad hoc concessional rate. Further facilities will be allowed for payment of the tax in appropriate instalments extending over a period not exceeding four years, subject to a down payment of not less than 10 per cent. of the tax due and furnishing of security in respect of the balance. Income which has already been detected on materials available prior to the date of the disclosure will, however, be assessed under the regular provisions of the Income-tax Act and not under this scheme. Any admissions made by a person in the declaration filed by him under the scheme in respect of such income will not be used against him in assessing that income under the Income-tax Act. Under this scheme also, the disclosed income will not be subject to any further proceedings of assessment. The identity of the declarant will not be revealed and he will also be immune from penalty and prosecution for the past concealment of the disclosed income.

Mr. Speaker, Sir, I am well aware that my proposals represent a formidable fare for a supplementary budget. But the exigencies of the situation demand nothing less. Our current needs, the claims of the Fourth Plan and the ever-increasing threat to our national security add up to a challenge which has to be met squarely and with a resolute heart. I can

*Published in the Gazette of India dated 19-8-65.

only hope that I have succeeded in presenting proposals which carry forward the process of rationalising our tax-structure while responding to the paramount need for raising progressively higher revenues for sustaining the dynamism and soundness of the economy.

Shri M. R. Masani (Rajkot): Mr. Speaker, Sir, may we know how these proposals are to come before the House, whether they are coming in the form of a Supplementary Budget and, if so, when?

Shri T. T. Krishnamachari: I propose, Sir, by your leave, to move for introduction of a Bill for this purpose, Finance Bill (No. 2).

Shri Hari Vishnu Kamath (Hosangabad): Sir, I am glad that the Prime Minister is here. You will recall that in the morning I and some of my friends had raised an important issue about the *modus operandi* for communication to the House of the developments in Kashmir....

Mr. Speaker: Let this subject be finished before we take up another.

16.50 hrs.

FINANCE (No. 2) BILL* 1965

The Minister of Finance (Shri T. T. Krishnamachari): Sir, I beg to move for leave to introduce a Bill further to amend certain laws relating to direct taxes, to provide for voluntary disclosure of income, to increase or modify duties of customs on certain goods imported into India and to increase or modify and to impose duties of excise on certain goods produced or manufactured in India.

extraordinary, Part II, Section 42,

Shri Ranga (Chittoor): Sir, before you put the motion to the House may I ask the hon. Finance Minister as well as the Leader of the House, whether there has been any precedent for this kind of a procedure where the House has been informed only that the Finance Minister is going to make a statement and no intimation had ever been given either to the country or to the House that there was going to be a Supplementary Budget and the consequences that would flow from a Supplementary Budget? It is too serious a matter. When the last budget proposals were introduced, the whole country was under the impression, if not the rest of the world, that those proposals would be final for the whole of the year except for a few changes here and there which, would be made by the Finance Minister in the light of the extraordinary authority that has been given to him in regard to making such variations. There is no war now. One would have understood and the people would have been prepared also for expecting to have to bear additional tax burden. There is no war, no declaration whatsoever. All of a sudden, without even giving intimation that there was going to be a Supplementary Budget, the hon. Finance Minister is coming forward simply saying that he is going to make a statement on economic affairs. One paper has been circulated amongst us Members of Parliament, possibly as an after-thought, after having circulated the same or a similar paper among the members of the AICC sometime ago. Even now there is no intimation at all that there is likely to be any proposal like this. This is a very drastic thing indeed. Therefore, I would like them to enlighten the House why they have chosen to follow this undemocratic and extraordinary procedure.

Shri Bade (Kharagone): Sir, my submission is that in view of the sky rocketting prices we thought that something would be done to ease the situation. But there is more imposition of import duties. We

thought that some remission will be made in respect of agricultural products and consumer goods. But nothing is done. Now at the nick of the moment the hon. Minister says that he is going to introduce the Finance Bill II. I have experience of the Vidhan Sabha. To my knowledge no Bill is introduced without any notice. Here the Minister just comes and says that he is introducing the Bill. At least three or four days notice must be given and copies of the Bill will have to be circulated. That has been the practice. I want your guidance Sir, whether under the rules a Bill can be introduced in this way after making a statement.

Shri Hari Vishnu Kamath (Hoshangabad): Under the rules it cannot be done unless you waive the rule. No Money Bill or Finance Bill can be introduced like this without notice.

Shri M. R. Masani (Rajkot): Sir, before you give any ruling, may I make the plea that under the rules of the House specific notice has to be given of the introduction of any measure, much more of a vital thing like the Second Finance Bill. It is true you have the discretion to waive that rule. But, Sir, I would in all earnestness appeal to you that no case has been made out for waiving the rule at all. It is a set of crazy proposals that the House has been faced with. Until the Bill is circulated and we are given a chance to take our stand on it when it is introduced, it should not be brought here. I appeal to you, Sir, to observe the rules, ask them to give proper notice and not to waive the rules.

Mr. Speaker: Permission was sought from me saying that a secret Bill was to be brought before the House and that it could not be disclosed earlier because there was danger of speculative activities being put into action. That was represented to me.

Shri Hari Vishnu Kamath: Is it a secret Finance Bill?

Mr. Speaker: It is secret in so far as it cannot be published earlier or its

[Mr. Speaker]

contents cannot be disclosed earlier. In that sense, I call it a secret Bill.

Shri Hari Vishnu Kamath: This is the first time in the history of our Parliament that this is happening.

Shri Ranga: It could have been said that a new budget is going to be introduced without giving the details.

Shri Hari Vishnu Kamath: But they did not trust you even.

Mr. Speaker: I was told that it is a Finance Bill. But I have recollections, and the hon. Members also must be having of some instances where secret Bills have been introduced without prior notice. There is provision for that. Direction 19B says:

"No Bill shall be included for introduction in the list of business for a day until after copies thereof have been made available for the use of members for at least two days before the day on which the Bill is proposed to be introduced."

That is the main provision in the direction under which previous notice must be given. But there is a proviso which says:

"Provided that Appropriation Bills, Finance Bills, and such secret Bills as are not put down in the list of business may be introduced without prior circulation of copies to members:"

So, there is provision for that. I was approached under that provision and I had given that permission.

Shri N. Dandekar (Gonda): May I make a submission? It is not suggested that the Bill itself should have been before us. In the case of the annual Finance Bill there is a notice that the Finance Bill is going to be introduced after the statement of the Finance Minister. Every Finance Bill is a secret Bill because it contains

provisions for excise or customs duties. Yet, there is a notice to the effect that after the Finance Minister has read part A of the Speech, he will deal with the financial proposals, followed by a Finance Bill. There is no risk whatsoever in doing that. I do not know why that could not have been done in this case, without placing the Bill itself before the House.

Mr. Speaker: Has the Minister anything more to say?

Shri T. T. Krishnamachari: Whether publicity could have been given to this or not is a matter which you have dealt with. In fact, I could not give any publicity to it because there is increase in import duty and people might take advantage of it. Even as it is, it may be within the next few minutes advantage might be taken of this by some people. So, the whole point is that secrecy had to be maintained. The difference between this and the annual budget is that, in the case of the annual budget the day is set in advance and is known to everybody. But in this case, a certain amount of secrecy has to be maintained. I did give notice that I will be making a statement at 4.15 p.m. I was also rather surprised that nobody took any notice of the fact that the Finance Minister is going to make a statement. Yet, there was also some speculation about the duties and things of that sort. Various people have mentioned it. So, in the circumstances, it would not have been possible for me to have given notice without very large sacrifice of revenue and also without giving rise to a considerable amount of speculative activity.

Mr. Speaker: Because this has been permitted to be moved, I can now only give opportunity to those who want to oppose it to speak on the Bill. I have already received a notice from Shri Ranga that he wants to oppose the introduction of this Bill. He can certainly do so.

Motion moved:

Nick That leave be granted to introduce a Bill further to amend certain laws relating to direct taxes, to provide for voluntary disclosure of income, to increase or modify duties of customs on certain goods imported into India, and to increase or modify and to impose duties of excise on certain goods produced or manufactured in India."

Shri Ranga: It is very difficult for me to say anything very definite and in detail about the proposals which are just now placed before us. The very first impression that is borne on my mind is that they are very drastic, that they indicate a serious state of things in this country, that the Finance Minister has been less than frank in telling us that we are so much on the verge of financial bankruptcy, that he has been reduced to this position of having to make all these very detailed financial proposals in order to raise such huge or enormous sums through fresh taxation. Every section of people in this country, except that small portion of the uppish section of the agriculturists who are capable of purchasing these pump sets, every other section is expected to suffer and come under the mischief of the additional duties.

17 hrs.

Shri M. R. Masani (Rajkot): Shame!

Shri Ranga: It only shows that hereafter we have got to be prepared not for one annual Budget—as my hon. friend said that a date would be set—but we have to be prepared to accept the second Budget in September or in August—he cannot set a mid-year date. This is a new innovation that he has created. He thinks that he has found this thing as a kind of solution for a crisis. But, on the other hand, I am afraid, he is creating a financial crisis as a result of the introduction of this Bill containing these proposals. Therefore, I

deem it my duty, as the leader of my group and also as one of the important Members here, of this House, for all these years, to oppose the very introduction of this Bill.

Shri Hari Vishnu Kamath rose—

Mr. Speaker: The Finance Minister. There cannot be any debate on this.

Shri Hari Vishnu Kamath: Not a debate. I want a clarification....

Mr. Speaker: The Member who wants to oppose it can say it briefly.

Shri Hari Vishnu Kamath: If there are more Members who want to oppose it.

Mr. Speaker: One will be heard and the others can vote.

Shri Hari Vishnu Kamath: Does that mean that only one Member can oppose it?

Mr. Speaker: Not that only one Member can oppose it.

Shri Hari Vishnu Kamath: There may be opposition from others too.

There can be two Members from different groups

Mr. Speaker: He has given me that notice and, of course, I have allowed him.

Shri Hari Vishnu Kamath: Is it defined in the rules?

Mr. Speaker: He may read the rules.

Shri T. T. Krishnamachari: Sir, I have taken more than 35 minutes of this honourable House to explain the justification for these proposals. In fact, it is the confirmed view, I think, of the Government that we are quite capable of staying off the crisis that occurs from time to time by taking remedial steps. This is one such step. At the same time there is a broad pattern evolve in this import

[Shri T. T. Krishnamachari]

duty structure which, in our own view, would help to a very large extent the development of industry . . .

Shri M. R. Masani: Question.

Shri T. T. Krishnamachari: . . . and would also prevent imports coming in freely, I know that there is a certain amount of slack capacity in the country which is estimated at, I think, between 40 to 60 per cent. I believe that the question of increased cost for imports would certainly help these people to come up.

I have also mentioned about the general circumstances of the economic position and, I think, on that perhaps Mr. Masani might agree that we should not have deficit finance. All these considerations have led the Government to bring forward these proposals before the House. The Prime Minister and his colleague take not only a serious view of the situation but a very realistic view of the situation and we are prepared to take the steps that are necessary to be taken in order to establish the economy on a sound footing. This is my justification and I do not think I could go further into it because I have already explained in a very elaborate statement the need for these proposals.

Shri Ranga: You should resign.

Shri Hari Vishnu Kamath: On a point of order, Sir. I have read the rule and I find that you yourself, in your wisdom, have permitted a rather elastic operation of this rule. The rule says:

"...a brief explanatory statement from the member who moves...."

—that should come first—and then:

"...and from the member who opposes the motion, may, without further debate, put the question."

Here, it is the reverse. Mr. Ranga made the statement first and the Minister has answered it. I think you can make it a little more elastic and allow me....

Mr. Speaker: I follow the hon. Member. But when the first speech was made, he had not known that Mr. Ranga was going to oppose the introduction of the Bill. When he wrote to me that he would like to oppose its introduction, I called Prof. Ranga to oppose it and to make a short speech. There is no harm in that. If Prof. Ranga wants to answer, I will allow him.

Shri Ranga: I do not know how they have thought that their conscience has not been violated by the manner in which they have behaved towards this House and towards the Chair. That is left to you, Sir, and to your judgment. So far as we are concerned, we feel very much hurt as Members of Parliament that the Finance Minister and the Government should have thought fit to play this—what I should call—unconscionable trick on the people and on this House by the procedure that they have chosen to follow. My Hon. Friend said, Sir, that he did not want any sepeculation anywhere. He did not want people to know, but at the same time he himself confessed here that, within the past few minutes, some people had come to know that there was something. He himself was saying this—there was some kind of an agog. Who knows how many people have come to know and how many people have been helped to come to know through channels . . .

Mr. Speaker: That would be a different thing.

Shri Kauga: Through channels that we know, have come to exist in this country, have come to be allowed to remain functioning for a long time in this country. That is why the atmosphere is full of talks of corruption. All these things he was prepared to allow, but he was not prepared to give a legitimate chance for the people of this country, interested in economic activity as well as national activities, to know, to have fore-knowledge that there was going to be a supplementary budget, there were going to be supplementary financial proposals and, therefore, they would have to put their house in proper order. To try to take the people by surprise, treat them as if they are chattel and deal they are all under the control of this with their economic activities as if Government—thank God, they are not yet under the control of this Government, although the Government wants to gain the disastrous control, octopus control, over the activities of this country by pursuing this policy—is something violative of the elementary principles of democracy. Of course, a no-confidence motion is going to come up next Monday. In all conscience—if Government have any conscience at all—what they should have done was to make a clean breast of it to the whole country and told the House that, under their leadership, this country has been brought, as I said earlier

advisedly, to the very brink of financial bankruptcy and, therefore, they resign and leave, though they enjoy all the majority, that they have chosen to re-organize the whole Government and see to it that they have a leadership for financial affairs, which is more efficient, which is more conscious of national duties than the kind of financial leadership that they have had all these days.

Mr. Speaker: The question is:

“That leave be granted to introduce a Bill further to amend certain laws relating to direct taxes, to provide for voluntary disclosure of income, to increase or modify duties of customs on certain goods imported into India and to increase or modify and to impose duties of excise on certain goods produced or manufactured in India.”

The Lok Sabha divided:

Shri Bade (Khargone): On a point of order. It is now five o'clock. Many hon. Members did not know that a Finance Bill was going to be introduced, and so they are not here now. I request, therefore, that the voting may be postponed. There is also a precedent for this.

Mr. Speaker: It may be past five o'clock, but the House is still sitting.

Division No. 6]

[17.14 hrs.

AYES

Abdul Wahid, Shri T.
 Alagesan, Shri
 Alva, Shri A. S.
 Alava, Shri Joachim
 Anjanappa, Shri
 Arunachalam, Shri
 Azad, Shri Bhagwat Jha
 Barua, Shri R.
 Basappa, Shri
 Baswant, Shri
 Bhagat, Shri B. R.
 Bhagavati, Shri
 Bhanu Prakash Singh, Shri
 Bhattacharyya, Shri C.K.
 Brajeshwar Prasad, Shri
 Braj Raj Singh-Kotah, Shri
 Chandrasekhar, Shrimati
 Chandriki, Shri
 Chaturvedi, Shri S.N.

Chaudhry, Shri Chandramani Lal
 Chuni Lal, Shri
 Das, Shri B.K.
 Deshmukh, Shri B.D.
 Dighe, Shri
 Dorai, Shri Kasimatha
 Dubey, Shri R.G.
 Dwivedi, Shri M.L.
 Gupta, Shri Badabhai
 Hanumanthaiya, Shri
 Heda, Shri
 Himatsingka, Shri
 Jadhav, Shri M.L.
 Jadhav, Shri Tulshidas
 Jamunadevi, Shrimati
 Jena, Shri
 Jyotishi, Shri J.P.
 Kabir, Shri Humayun
 K'ndar Lal, Shri

Kotaki, Shri Liladhar
 Koujalgi, Shri H.V.
 Kripa Shankar, Shri
 Krishnamachari, Shri T.T.
 Kureel, Shri B.N.
 Lalit Sen, Shri
 Laskar, Shri N.R.
 Mahtab, Shri
 Mahishi, Dr. Sarojini
 Malachami, Shri
 Mallick, Shri Rama Chandra
 Mandal, Shri Yamuna Prasad
 Maniyengadan, Shri
 Mentri, Shri D. D.
 Masurya Din, Shri
 Matcharaju, Shri
 Mathur, Shri Shiv Chawan
 Mehrotra, Shri Braj Bihari
 Mehta, Shri J.R.

Mishra, Shri Bibhe
 Mubiddin, Shri
 Mohsin, Shri
 Morarka, Shri
 More, Shri K.L.
 Muthiah, Shri
 Nanda, Shri
 Pandey, Shri R.S.
 Pandey, Shri Vishwa Nath
 Parth Lal, Shri
 Pant, Shri K.C.
 Paramasivan Shri
 Patil, Shri T. A.
 Pattabhi Ramaa, Shri C.R.
 Prasadakar, Shri Naval
 Prasad, Shri
 Raghunath Singh, Shri
 Raj Banaur, Shri
 Raju, Shri D. B.
 Ram Sewak, Shri
 Ram Swaroop Shri
 Ramchekhhar Prasad, Singh, Shri
 Rane, Shri J

no. Shri Jagannatha
 Rao, Shri Krishnamoorthy
 Rao, Shri Mutayal
 Rao, Shri Rameshwar
 Rao, Shri Tairumala
 Reddy, Dr. B. Gopala
 Reddy, Shri R. Surendra
 Rev. Shri Bhanwanth
 Sadana Ram, Shri
 Sahi, Shri Rameshwar
 Saigal, Shri A.S.
 Samanta, Shri S.C.
 Sanji Rupji, Shri
 Sarma, Shri A.T.
 Satanarayana, Shri
 Sen, Shri A.K.
 Sen, Shri P.G.
 Shah, Shri Manubhai
 Shakuntala Devi, Shrimati
 Sharma, Shri A.P.
 Sharma, Shri D.C.
 Sharma, Shri K.C.
 Shastri, Shri Lal Bahadur

Nityan Das, Shri
 Siddanajappa, Shri
 Siddiah, Shri
 Sideshwar Prasad, Shri
 Singh, Shri D.N.
 Singh, Shri K.K.
 Singha, Shri G.K.
 Sinha, Shri Satya Narayan
 Snatak, Shri Naradeo
 Sonavane, Shri
 Subramaniam, Shri C.
 Tahir, Shri Mohanmad
 Thimmaiah, Shri
 Tiwary, Shri D.N.
 Tiwary, Shri R.S.
 Tyagi, Shri
 Vaishya, Shri M.B.
 Varma, Shri M.L.
 Varma, Shri Ravindra
 Vidyasankar, Shri
 Yadav, Shri N.P.

NOES

Ancy, Dr. M.S.
 Bade, Shri
 Badrudduja, Shri
 Berwa, Shri Onkar Lal
 Bhattacharya, Shri Dinen
 Dandekar, Shri N.
 Gupta, Shri Kashi Ram

Himmatsinhii, Shri
 Kachhavaiya, Shri Hukam Chand
 Kakkar, Shri Gauri Shanka
 Kamath, Shri Hari Vishnu
 Masani, Shri M.R.
 Mista, Dr. U.
 Murmu, Shri Sarkar

Nair, Shri N. reekantan
 Nair, Shri Vasudevan J
 Pottekkatt, Shri
 Ranga, Shri
 Seth, Shri Bishanchander
 Singhvi, Dr. L.M.
 Warrior, Shri

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

Ayes: 124; Noes: 21

The motion was adopted.

श्री हुकम चन्द कचवाय (देवास) : हम
 वाक प्रोत्तर करते हैं, हम सदन त्यागते हैं।

(Shri Hukam Chand Kachhavaiya and some other Members then left the House).

Shri Ranga: The hon. Ministers should be ashamed of this themselves and that is why they are having the

support of only 124 Members today as against about 270 or so which they had earlier.

Shri T. T. Krishnamachari: Sir, I introduce the Bill.

17.15 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Monday, August 23, 1965/Bhadra 1, 1887 (Saka).

† Introduced with the recommendation of the President,