

जोन में है। अब जो नयी व्यवस्था की गयी है उस के मुताबिक इसका विस्तार पूरे देश के अन्दर ऐसे तमाम यूनिटों के लिए किया जा रहा है यह जो हण्ड्रेड परसेंट एक्सपोर्ट ओरियन्टेशन का काम हो रहा है, अध्यक्ष महोदय, मेरी समझ से यह सुविधा बड़े बड़े पूंजीपतियों के लिए की जा रही है और इस तरह की सुविधाओं का निश्चित तौर पर बुरा असर कैपिटल गुड्स मैन्युफैक्चरर्स पर पड़ेगा। मैं मंत्री महोदय से जानना चाहता हूँ कि देश के अन्दर इन दो जगहों के अतिरिक्त जिनका कि मने अभी जिक्र किया, इस हण्ड्रेड परसेंट एक्सपोर्ट ओरियन्टेशन के यूनिट कहां कहां हैं और उनकी संख्या क्या है ?

**SHRI PRANAB MUKHERJEE:** Sir, so far as the conclusion of the hon. Member that as a result of the new scheme indigenous manufacturing capacity of capital goods manufacturing industries will be affected is not correct. In fact, even within the existing scheme big houses if they establish their units in the free trade zone are entitled to have all these facilities because this is only to expedite our export efforts. That is why the concession is being given to those units which are 100 per cent export oriented units. Many other countries have done this and we are also doing it. The actual effect on the economy is yet to be seen as the scheme is just announced and no new unit has been established. As such the conclusion of the hon'ble Member is pre-mature.

**श्री विजय कुमार यादव :** अध्यक्ष महोदय, मैंने यह कहा था कि जहां तक मुझको जानकारी है और खुद मंत्री महोदय का बयान अखबारों में निकला है उसके मुताबिक यह सुविधा शांताक्रुज और कांडला फ्री ट्रेड जोन में अभी भी लागू है। अब आप इसका एक्सटेंशन करना चाहते हैं। जो यूनिट पहले से ही एग्जिस्ट कर रहे हैं और जो फेसिलिटीज अभी तक आपने दे रखी है उसका हमारे देश की इकोनोमी पर क्या असर पड़ा है, यह मैं जानना चाहता हूँ।

**SHRI PRANAB MUKHERJEE:** Sir, it has favourably affected the economy. In fact, the exports have picked up. For instance, in respect of the Kandla Free Trade Zone, the total quantum of export now is more than Rs. 11 crores in the first six months of this year. This is almost equal to that of the whole of last year. Therefore, Sir, it will be seen that our exports are picking up from these Trade Zones.

#### Abolition of Sales Tax

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\*62. **SHRI MADHAVRAO SCINDIA:**

**SHRI VILAS MUTTEMWAR:**

Will the Minister of FINANCE be pleased to lay a statement showing:

(a) whether a Chief Ministers' | State Finance Ministers' Conference for abolition or gradual withdrawal of Sales Tax including Central Sales Tax and its replacement by excise duties was called in New Delhi in September this year in the light of the observations made by the Wanchoo Commission to the effect that Sales Tax was one of the major causes for growth of black money and running of a parallel black market;

(b) if so, the specific issues discussed therein; and

(c) the outcome of the Conference?

**THE MINISTER OF FINANCE (SHRI R. VENKATARAMAN):** (a) to (c). A statement is laid on the Table of the House.

#### Statement

(a) There has been a widespread and long standing demand by various Chambers of Commerce, Associations of Industry and trade, general public, etc., for basic reforms in the sales tax structure in the country. The Finance Commissions and various Committees had also occasion to go into and comment on various aspects of the sales

tax system. In particular, the Indirect Taxation Enquiry Committee (Jha Committee) had gone into the matter and made certain recommendations. As any reform of the sales tax system can be undertaken only in consultation with and the cooperation of the States, a Conference of Chief Ministers was convened in Delhi on the 16th and 17th September, 1980 to discuss the various Constitutional, economic, legal, procedural and administrative aspects of the matter.

(b) and (c). The Conference discussed the following matters:—

- (i) Additional duties of excise in lieu of sales tax;
- (ii) Central sales tax;
- (iii) State sales tax; and
- (iv) Octroi duties

The following resolution was adopted by the Conference:—

(a) Sales-tax on life saving drugs listed as such by the Hathi Committee and Vanaspati be replaced by additional excise duties and suitable modalities worked out with a view to safeguarding the legitimate revenue interests, present and future, of the States:

(b) a panel of Chief Ministers be set up to formulate proposals for (i) additions to the list of goods to which the Scheme of additional excise duties in lieu of sales tax be extended, and (ii) additions to the list of 'declared goods',

(c) the Law Commission be requested to undertake on a high priority basis the drafting of a model sales-tax law for consideration by the States;

(d) the Central Government should consider introduction of a Constitution (Amendment) Bill on the lines of the Constitution (49th Amendment) Bill at an early date.

However, the Chief Ministers of Kerala, Tamil Nadu, Tripura and West Bengal dissented from parts (a), (b) and (c) of the Resolution.

**SHRI MADHAVRAO SCINDIA; Sir,** as has been observed by the Wanchoo Committee, sales tax is one of the principal factors which gives an impetus to the black-money cancer gnawing at the jugular of our nation's economy.

I would like to know whether the Central Government, in consultation with the States, is committee to, the policy of eventually replacing Sales-tax by Additional Excise Duty. And if so, how do they intend to implement this scheme if some of the States refuse to fall in line? Already, Kerala, Tamil Nadu, West Bengal and Tripura have dissented from even the addition of life-saving drugs and Vanaspati in the list of items for additional excise duty. Would this not lead to a lop-sided implementation?

Secondly, was there not a similar conference which was held under the Janata Regime in 1979, which resulted in a complete flop from the point of view of any concrete results achieved? Is this not a fact?

**SHRI R. VENKATARAMAN; Sir,** it is not the intention of Government to completely replace sales tax by additional excise duty. Sales-tax is a State source of revenue and today the States are getting somewhere about 3,000 crores. This is also an elastic source of revenue and expanding source. All that we try to do is to prevent harassment to the mercantile community, prevent evasion and corruption and for that purpose, try to include as many commodities as possible in the list for levy of additional excise duty in lieu of sales-tax. In the Sales-tax Conference we mentioned that it is not the intention of the Government to replace entirely the sales-tax. On the contrary, it is to facilitate collection, as well as to avoid corruption that we wanted to bring a large number of items under the list for the levy of additional excise duty in lieu of Sales tax.

I would like to inform the House, Mr. Speaker, that when the Central Government brings some more items

in the list for the levy of additional excise duty in lieu of sales tax, it takes the responsibility of levying the tax, face the Parliament and the criticisms levelled, collect the money, and transfer it to the States. Therefore, the States need not have any apprehension in this matter that they will lose anything on this account.

The second point which he mentioned is in regard to the recommendations of the Wanchoo Committee. Wanchoo Committee has mentioned, in passing, about the Sales-tax. Wanchoo Committee has observed:

"Levy of high tax rates leads to tax evasion and generation of black money."

And, as can be seen, we have made a very good beginning in this year's Budget by reducing the income-tax surcharge from twenty per cent to ten per cent. If the economy picks up, if the collection of revenue is kept up, no doubt, there is scope for following the same line also in future. But, it all depends upon the way in which the mercantile community is going to behave as well as how the economy is going to develop.

The third point which the hon. Member has stated is about the failure to achieve any concrete results in the Sales Tax Conference of 1979. Well, there is always scope for improvements. Man always lives in hope. We do hope that we will be able to persuade these States. It is true that some States have now objected. But that cannot prevent the Centre from carrying forward their policies if a large number of States are in agreement of it.

**SHRI MADHAVRAO SCINDIA:** As the Hon'ble Finance Minister pointed out the principal objection that the States have to the replacement of sales tax by additional excise duty, is that they feel that they are surrendering the control over the power of the States, main source of income. In other words, as the Finance Minister stated they

lose control over the elasticity or flexibility of their revenue receipts. Why does the Government not propose a via media, namely that sales tax should be replaced in a large measure by additional excise duty. But the rate of the additional excise duty should be determined by a joint body of the Finance Ministers of the major States who will meet annually. In other words, the States would retain control over the rate of additional excise duty and simply agree to merely substituting or surrendering their individual power for a collective power.

**SHRI R VENKATARAMAN:** The Hon'ble Member has made a suggestion. But we have made another suggestion in this regard. I have assured the Chief Ministers at the Conference that I shall endeavour to maintain the additional excise duty and the excise duty in the ratio of 2 to 1. The basic duty, if it is 2, the additional excise duty will continue to be 1 so that there is no apprehension that the basic excise duty will be increased and the share of the Central Government increased and the share of the State Governments reduced. I have proposed this and I think there was a large measure of consensus in support of this proposition that if the ratio of 2 to 1 is maintained between the basic excise duties and the additional excise duties, the States will have no objection to it.

**श्री विलास मुत्तेमवार:** सरकारी अनुमानों के आधार पर इस देश में प्रचलित काले धन का आकार अनुमानतः क्या होगा और मुख्य मंत्रियों के सम्मेलन के निर्णयों पर कब तक अमल होगा ?

**SHRI R. VENKATARAMAN:** I wish somebody would give me a correct estimate of the black money. It is not possible to estimate the black money in the country. Well, all that we can say is that it is playing havoc with our economy. We should try to do something to prevent this diliterious effect.

**SHRI NIREN GHOSH:** Levying of sales tax is within the purview of the States and not within the purview of

the Centre. If that be so, in view of the wishes and objections of certain States, how can you proceed to snatch away this right? And you are saying that the income-tax surcharge has been lowered in order to see that black money is not generated. It is a bonanza that is given to the big business of India. That is what is done and they are the main source of corruption and black money. About an estimated figure of Rs. 30,000 crores are there as black money equally moving in the economy with the white money. May I also know from the Government whether at least the States could have this object in fact that no further item whatever you want to legislate would be included in respect of those States and those States will preserve the right to enforce sales tax on that because you are snatching away the powers and centralising more powers in the hands of the Centre?

MR. SPEAKER: Please find out the whereabouts of that black money.

SHRI R. VENKATARAMAN: Sir, at the outset, I want to assure the House and through the House all the various States that the Government have absolutely no intention of snatching away the revenues of the States. On the contrary we want the States to increase their contribution for the Plan. And if they do not have the resources, the plan itself will shrink in size. Therefore, it is a wrong assumption that the Centre wants to take away the sources of revenue of the States. As I explained to my hon. friend, this is only an attempt to see that more items are brought under the additional excise duty without the States suffering any loss of revenue for the purpose of preventing harassment, corruption and various other malpractices that prevail. The State Government will continue to levy the sales-tax in respect of all the other items; only in respect of those items on which the Centre legislates, as one coming under the levy of additional excise duty, their rights will be limited or reduced to that extent. I would assure you that there would be no

attempt to take away the right of the States to levy the sales-tax.

As regards the second point about the reduction of surcharge, it was in response to the suggestion made by several committees including the Wanchoo Committee that the heavy rate of taxation brings about evasion of tax, and therefore, if the rates of taxes are reduced, the evasion will also go down and to that extent, the creation of black money also will be reduced.

As far the third point that there are 30,000 crores of black money, I would like to have information from the hon. Member at least about one-tenth of that money where it is so that I can go and snatch it.

SHRI SATYASADHAN CHAKRABORTY: There is no dispute about the desirability of controlling black money. The hon. Minister knows better than I do and there are a number of other effective measures which the Central Government can easily take. May I ask: Is this measure not going to affect adversely the precarious equilibrium between the Centre and the States and also make the States more dependent on Central volition, reducing them to the position of beggars, and dependent on the political will of the Centre which we are experiencing today too much?

SHRI R. VENKATARAMAN: I have been Minister of Sales-tax in the State of Tamil Nadu for ten years and I have been Minister of Finance here only for less than ten months. My sympathies are, therefore, with the States and I do not think, I am going to take away the rights of the States. All that I say is that it is a matter of convenience for collection, convenience in assessment and convenience in the matter of trade for the mercantile community and so on. It is only for that purpose that it is done. People read into this something more minister than what is actually there. For Heaven's sake,



please understand that this is only an endeavour to see that there is greater and better collection of revenues both for the Centre and the States.

श्री छांगुर राम : इस विवरण-पत्र में लिखा है : "विशेषतः अप्रत्यक्ष कराधान जांच समिति (ज्ञा समिति) ने इस मामले की समीक्षा की है और उस पर कुछ सिफारिशों की हैं।" मैं जानना चाहता हूँ कि ज्ञा समिति ने इस सम्बन्ध में क्या सिफारिशों की हैं। क्या 16-17 सितम्बर को हुए मुख्य मंत्रियों के सम्मेलन में ज्ञा समिति की सिफारिशों पर विचार हुआ या नहीं, यदि नहीं हुआ, तो क्यों नहीं हुआ और अगर हुआ, तो किन किन सिफारिशों पर हुआ ?

SHRI R. VENKATARAMAN: Sir, the reference to the Wanchoo Committee was in reply to an answer.

So far as the Jha Committee recommendations are concerned, they went into the whole question of income-taxes, not only the sales tax but also the excise levy, octroi and others. Now those recommendations have been examined by the Government and some action has been taken and they, wherever implemented, have been from time to time placed on the table of the House.

The consideration which came before the Conference was as to how to rationalise the sales-tax. In this respect, some of the suggestions which I made and the Prime Minister who inaugurated the Conference made, were that with a view to streamline the administration, with a view to prevent corruption, with a view to increase the collections and all that, we may transfer more items from the sales-tax to the levy of additional excise duty in lieu of sales tax, just as we have now the sugar, textiles and tobacco and so on.

The Conference took a decision that in respect of life-saving drugs and vanaspati, they will have additional excise duty in lieu of sales-tax.

Then they referred the whole question to a Committee of the Chief Ministers and we are now collecting all the information with regard to the actual collections in respect of various items from the States and after we collect the statistics, that Committee will meet again and take a decision.

#### Fitness of Jammu Airport for Receiving Boeing Aircraft

\*63 SHRI G. L. DOGRA: Will the Minister of TOURISM AND CIVIL AVIATION be pleased to state:

(a) when the runway in Jammu Airport will be rendered fit for receiving a Boeing Aircraft; and

(b) what steps his Ministry are taking to achieve this purpose?

THE MINISTER OF STATE IN THE MINISTRY OF TOURISM AND CIVIL AVIATION (SHRI CHANDU-LAL CHANDRAKAR): (a) It is likely to be completed by mid 1982.

(b) Necessary estimates are being prepared.

SHRI G. L. DOGRA: Which is the Department that is preparing the estimates? Is it the International Airport Authority or is it the CPWD?

THE MINISTER OF TOURISM AND CIVIL AVIATION (SHRI A. P. SHARMA): It is prepared by the Department.

SHRI G. L. DOGRA: In case of Amritsar, the estimate prepared by the International Airport Authority is much less than CPWD and the time required is also much less. In view of the specialised authority, the International Airport Authority which you have created why don't you refer it to the same?

SHRI A. P. SHARMA: It is true that according to the rough estimates, the estimate prepared by the-