

ORAL ANSWERS TO QUESTIONS

**Assessment of Black Money by
National Institute of Public
Finance**

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83 SHRIMATI PRAMILA DAN-
DAVATE

SHRI SATYENDRA NARAIN
SINHA:

Will the Minister of FINANCE be
pleased to state:

(a) whether the National Institute
of Public Finance has been entrusted
with the work of assessing black
money in the country;

(b) whether the findings of the Wan-
choo Committee have been processed
thoroughly with regard to plugging of
the loopholes; and

(c) if not, what was the urgency
for awarding the work to National
Institute of Public Finance?

THE MINISTER OF STATE IN THE
MINISTRY OF FINANCE (SHRI
PATTABHI RAMA RAO): (a) Yes,
Sir.

(b) Yes, Sir.

(c) Does not arise.

SHRIMATI PRAMILA DANDA-
VATE: The replies which the hon.
Minister has given show how lightly
he takes the burden of black money
which is breaking the backs of com-
mon people and planning for develop-
ment of this country.

MR. SPEAKER: Do you think the
answer was so light?

SHRIMATI PRAMILA DANDAVA-
TE: Sir, the Wanchoo Committee
which had gone into this question had
come to the conclusion that quite a
large amount of unaccounted money
that is in circulation owes its origin to
the fact that it is used for financing
the elections.

The Committee had made a few re-
commendations:

(1) State financing of the elec-
tions;

(2) Simplification of tax struc-
ture; and

(c) Demonetization.

I would like to ask (a) whether the
Prime Minister would recommend to
the Home Ministry to accept the State
financing of elections. (b) If in case
it is not possible to declare the deci-
sion to demonetize, will the Minister
consider to replace all the hundred
rupee notes by coins so that the bulk
and the weight of the amount itself
will help to curb the underhand trans-
actions?

SHRI PATTABHI RAMA RAO: I
am afraid the demonetization ques-
tion does not arise. Several times the
Finance Ministers have declined to de-
monetize and their policy is the same
even now.

As regards your first question, I
did not hear you properly.

SHRI SATISH AGARWAL: State
financing elections.

SHRI PATTABHI RAMA RAO:
That has been recommended to the
Home Ministry.

SHRIMATI PRAMILA DANDA-
VATE: The Wanchoo Committee's re-
commendation regarding demonetiza-
tion.

SHRI PATTABHI RAMA RAO:
There is no question of demonetiza-
tion at all. Where is the question of
recommendation?

SHRIMATI PRAMILA DANDA-
VATE: I have also asked about the
State financing of elections. The Min-
istry cannot do, but it can recommend.
My question is whether it would re-
commend.

Secondly, I have asked about replacing of hundred rupee notes by coins. You have not replied to it.

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE): Sir, in regard to the first question, this matter has been discussed and it is not merely a question of recommendation from one Ministry to another Ministry, it has larger and much wider political implications on which we shall have to arrive at a decision whether it is feasible in a situation like ours, and this is, a matter on which sometimes some views have been expressed.

In regard to demonetization, my colleague has already replied. What she is suggesting is in another form, whether we can replace our hundred rupee notes by hundred rupee coins and whether it is a practical and feasible proposition. On all these matters you cannot say either way because it will have its repercussions and definitely...

MR. SPEAKER: Mrs. Dandavate carries them in the bag.

SHRI PRANAB MUKHERJEE: She is prepared to take the burden! But in either way you cannot react to this type of thing. Though I am not a lawyer, this is some sort of a leading question by a lawyer as to when you have stopped beating your wife. So, neither way I can react to it. In regard to the third question which she has mentioned regarding the taxation structures, about this, the hon. Member is aware of it; that immediately after the Commission, a Select Committee was appointed and that Select Committee went into the question of examining various recommendations and various aspects. After that, the taxation laws were amended and, Sir, if I understand correctly, I was a Junior Minister myself in the mid 70's and at that time, I had the privilege of piloting the Bill.

SHRIMATI PRAMILA DANDAVATE: Though the Bearer Bonds scheme has been disbanded, this scheme has encouraged dishonesty and generation of black money. It was an assurance to the black money holders to amass black money with a hope that some day this Government would again give them an opportunity to turn their black money into white with an additional interest. Has it become a crime to be honest in this country?

What steps the Government proposes to take to reward the honest tax payers and punish the dishonest black money generators?

SHRI PRANAB MUKHERJEE: Sir, the first part of the question is practically her observations and the same observations were made when the particular proposal was considered by the House.

In regard to the effective steps for controlling the generation and operation of black money, various measures have been taken. One such measure is the intensification of raids, searches and seizures. If the hon. Members are interested, I can give some figures of the raids and searches. (*Interruptions*). I would be interested to know the views of the former Revenue Minister in this matter because regarding the reply which I am giving now, he did the same thing. And I am doing the same thing.

SHRI KRISHNA CHANDRA HALDER: Are you talking of Mr. Satish Agarwal?

SHRI PRANAB MUKHERJEE: Yes.

SHRI SATISH AGARWAL: Government is a continuous process.

MR. SPEAKER: Old wine in a new bottle.

SHRI SATISH AGARWAL: The successor is living in the same house in which I was living.

SHRI PRANAB MUKHERJEE: In the year 1981-82, the number of searches made by the Income-tax Department was 4282. The total amount involved was about Rs. 30.66 crores. (Interruptions). Up to September this year, the searches come to numbering about 1,675 and the value of assets seized is Rs. 12.20 crores.

Apart from this, the hon. Member knows particularly in connection with the smugglers and the foreign exchange racketeers, we passed a law for the forfeiture of their property. Unfortunately, we could not make a dent and there too my friend Mr. Agarwal will agree with me that in all the cases, in each and every individual case, the court stay order is there. In spite of our best efforts, we have not been able to get vacated the stays, and we are trying to do some thing.

SHRI SATISH AGARWAL: And very easily one can get a stay from your State—Calcutta.

SHRI PRANAB MUKHERJEE : I would not like to comment on the High Court of my State.

SHRI SATISH AGARWAL : I am not commenting. It is just (Interruption).

SHRI PRANAB MUKHERJEE: Apart from the other things, there are certain areas which were also recommended by the Wanchoo Commission that whether we can have a tax structure in which tax rates would be realistic. In every year, through the Finance Bill and our Budget proposals, we are trying to make it realistic. On the one hand, tax structure should be such that it should encourage people to be honest and pay the taxes and at the same time, there will always be a section of the people who will like to evade and avoid. The enforcement machinery is there to tackle them.

PROF. K. K. TEWARY: Mr. Speaker, Sir, very often we have seen that there are organisations in this coun-

try which have been receiving foreign money and it is not spent on the purpose for which the money is given. Does this also add to the growth of the black money?

SHRI PRANAB MUKHERJEE: I am afraid, I have not been able to make a particular study of that. If the hon. Member has some information, definitely, I am prepared to examine it.

PROF. MADHU DANDAVATE: Sir, I would like to know from the hon. Minister since he himself agrees with the proposition that the growth... (Interruptions.)

अध्यक्ष महोदय : : मैं प्रोफेसर साहब को नाराज नहीं करना चाहता ।

PROF. MADHU DANDAVATE: Since I have to ask the supplementary through you, Sir, you have to listen to me.

SHRI K. RAMAMURTHY: It should not be monopolised. The Question is from Mrs. Dandavate and Mr. Dandavate should not be allowed a supplementary on that.

MR. SPEAKER: Don't you realise that he has to supplement her!

PROF. MADHU DANDAVATE: If he feels that we are monopolising, our case might be referred to the MRTTP Commission.

Since the hon. Minister himself agrees that with the growth of black money in the country there is an inflationary pressure on the economy, I would like to know from him whether by any process like Kaldor's method or any other method, they have made a rough estimate of the extent of black money that exists in the country and, if he has made an assessment, I want to know the extent of the black money, according to him, in the country.

As a part of the question, I would also like to know from him, since they have already introduced a credit squeeze in the country, obviously, to prevent more circulation of currency in the country and thereby checking inflation, whether it is not a fact that the growth of black money in the country also leads to black money holders giving money as a loan even to non-priority sectors at convenient rates of interest and thereby making the entire process of credit squeeze by the Government just a mockery? In view of this, is it also not necessary to take stern measures to see that black money holders' back is completely broken?

SHRI PRANAB MUKHERJEE:

There are no two opinions on the conclusion of Prof. Dandavate as to what in the form of question he suggested is the effect of black money on the Indian economy. To his specific question as to whether we have made any assessment, I am afraid, we could not venture to make any assessment of the extent of black money operating in the Indian economy. Some economists have made some studies. Even the Wanchoo Commission on the basis of 1961-62 tax structure made some assessment and one of the members of the Commission did not agree with that figure—he said that the figure was much more. Therefore, we did not make any attempt because it is simply not possible. The black money is not merely in the form of currency notes. It is also in the form of real estate, it is in the form of gold; it is in the form of hoarding of goods and materials. Therefore, in various forms of assets, it operates in the economy.

In regard to the credit policy, sometimes, it dilutes the effect ...

PROF. MADHU DANDAVATE :

Before you proceed to that, I may point out that even the wanchoo Commission's report had estimated, in 1968-69, by just making an assessment of assessable income and assess-

ed income, and they found out that the black money in 1968-69 was of the order of 7000 crores. If in 1968-69 it was an estimate of Rs. 7000 crores—I am sure, you have made a lot of advance since then—what will be the position now?

SHRI PRANAB MUKHERJEE:

Therefore, I am leaving it to the guess of the hon. Member. An estimate of Rs. 7000 crores may have been suggested by one of the members of the Wanchoo Commission. The Commission's own assessment was not of that order. I think, it was Rs. 1400 crores. The exact figure I do not remember.

PROF. MADHU DANDAVATE:

That was on the basis of tax avoided income. The velocity of income is five times. So, the deals involving black money will be of the value of Rs. 7000 crores.

SHRI PRANAB MUKHERJEE: In regard to credit policy, to some extent, it has diluting effect on the inflation in the economy. It will be too harsh to conclude that the entire credit policy is being eroded by the operation of black money. To some extent, it is definitely diluting the inflationary effect on the economy.

पर्यटन नीति बनाना

*86. श्री मूलचन्द डागा :

क्या पर्यटन मंत्री यह बताने की कृपा करेंगे कि क्या विदेशी और स्वदेशी पर्यटकों की सुविधा के लिये कोई पर्यटन नीति बनाई गई है। ताकि इसके दूरगामी प्रभावों को ध्यान में रख कर स्वदेशी और विदेशी दोनों प्रकार के पर्यटन का उचित विकास किया जा सके।

THE DEPUTY MINISTER IN THE MINISTRY OF TOURISM (SHRI ASHOK GEHLOT): Yes, Sir. Recognising the importance of both domestic and foreign tourism, a compre-