

LOK SABHA DEBATES

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LOK SABHA

Wednesday December 11, 1981/
Arahayana 20, 1903 (Saka)

The Lok Sabha met at Eleven of the
Clock

[MR. SPEAKER in the Chair.]

ORAL ANSWERS TO QUESTIONS

Expenditure of Tax

*288. PROF. NARAIN CHAND PARASHAR: Will the Minister of FINANCE be pleased to state:

(a) whether Government have examined the proposal to levy Expenditure Tax in order to contain the evil of black money;

(b) if so, whether Government have taken any decision in the matter, including its reference to any expert body/group;

(c) if so, the nature of the decision and the date on which it has been taken; and

(d) if not, whether Government propose to examine this proposal at an early date?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SAWAISINGH SISODIA): (a) to (d). The previous Government had appointed a Study Group consisting of some senior officers of the department to examine the feasibility of replacing income-tax by a tax on expenditure. The Study Group did not recommend the replacement of income-tax by an expenditure-tax nor did the Group support the re-introduction of expenditure-tax in addition to existing taxes. The Government have consi-

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dered the Report of the Study Group and have agreed with their recommendations.

PROF. NARAIN CHAND PARASHAR: May I know the composition of the Study Group? How is it that there was no economist and only officers of the Department in that Committee? Was the report unanimous or was there any dissenting note?

THE MINISTER OF FINANCE (SHRI R. VENKATARAMAN): I would like to add to the answer given by my esteemed colleague that this is the Government's decision for the present. We cannot commit ourselves not to levy the expenditure tax in the future. Regarding the second point raised by the hon. Member, it is an official committee, consisting of people connected with the tax administration, the Members of the CBDT and others. They examined the feasibility and came to the conclusion that, from the practical point of view, it will not be possible to accept this.

PROF. NARAIN CHAND PARASHAR: The Direct Taxes Enquiry Committee in 1975 estimated that the undisclosed income in the year 1968-69 was of the order of Rs. 1,400 crores. And on the basis of this, the Wanchoo Committee Report said that in that year the black money must be of the order of Rs. 7,000 crores. In view of such a vast amount of undiscovered money and the size of the black money involved would the Government give the experience, if any, or having levied this tax earlier and also suggest any improvement as to whether the tax can be levied with further modification so as to make it without any kind of loophole and the undiscovered wealth or black money can be properly taxed?

SHRI R. VENKATARAMAN: Sir, black money cannot be eliminated or even controlled by expenditure tax. Secondly, our experience with the levy of the expenditure tax shows that the yield is very little compared to the efforts involved. The highest income was in 1960-61 when it was Rs. 91 lakhs and the average was somewhere about Rs. 40 to 42 lakhs. Therefore, as a productive tax it is not very useful.

There are also other objections. For instance, if you levy an expenditure tax, then you will have to give an exemption and about Rs. 3000 per month will be given as exemption. That means Rs. 36,000 a year will go. Then the assessee will claim 'I have invested in jewels I have invested in equity shares and I have invested in property and this must be deducted.' The result will be that the expenditure tax will yield nothing.

DR. KRUPASINDHU BHOI: I would like to know whether in order to check the expenditure of corporate bodies, Government would like to impose temporary restriction on the declaration of dividend by the company as was done in 1974, and if the answer is 'yes', when such a measure will be taken and if not, why not?

SHRI R. VENKATARAMAN: Sir, there is no such proposal before us, and these are matters relating to the Budget and I cannot disclose anything.

SHRI Y. S. MAHAJAN: The expenditure tax proposal was made by Mr. Kaldor in conjunction with the proposal to reduce the rate of income-tax and super tax. He was of the view that income tax has strong disincentive effects on the lowest saving and enterprise and therefore he suggested that the maximum rate of income tax should be not more than 44 per cent. Has the Government considered this proposal also?

SHRI R. VENKATARAMAN: Sir, the Budget is coming in two months. I cannot express any opinion on any of these matters. I can tell the hon. Members that we are progressively working towards reduction of direct taxes. I have already reduced the surcharge by 10 per cent in 1980.

श्री डी. पी. यादव : अध्यक्ष जी, आय और व्यय की सीमा पर प्रतिबन्ध लगना चाहिए, सीमांकन होना चाहिए क्योंकि यह एक सामाजिक समस्या है।

अध्यक्ष महोदय : सम्पत्ति पर तो अवश्य लगना चाहिए।

श्री डी. पी. यादव : एक आदमी लाखों रुपया खर्च करे और उसका कोई हिसाब न रहे—यह कहां तक उचित है? आज से 15-20 साल पहले डा० राम मनोहर लोहिया ने एक सवाल उठाया था और यह कहा था कि आय की सीमा पर रोक लगाओ, खर्च की सीमा पर रोक लगाओ। क्या डा० राम मनोहर लोहिया के उस सिद्धान्त पर सरकार विचार करेगी? क्योंकि योजना राशि से आजकल अधिकारियों और खासकर इंजीनियर्स कंट्रैक्टर्स में जो ब्लैक-मनी का एक्यूमुलेशन हो गया है उससे वे पैरेलल गवर्नमेन्ट चला रहे हैं। एक तरफ तो देश में सुखाड़ और बाढ़ है और दूसरी तरफ इंजीनियर्स और कंट्रैक्टर्स के पास...

अध्यक्ष महोदय : आप सवाल कीजिए।

श्री डी. पी. यादव : तो ऐसी स्थिति में क्या उस सिद्धान्त को नजर में रखते हुए मंत्री जी उस पर विचार करेंगे और इस देश में जितने बेइमान चोर इंजीनियर हैं, चोर कंट्रैक्टर्स हैं, जिन्होंने ब्लैक-मनी इकट्ठा करके रखी

हुई है और जिनके खर्च पर कोई सीमा नहीं है, आप उस सीमा को बाँधेंगे और उसके लिये कोई कड़े से कड़ा कानून बनायेंगे ?

SHRI R. VENKATARAMAN: Sir, so far as the blackmarketeers are concerned, we have already passed a law by which we are going to take stringent action against the hoarders and blackmarketeers.

So far as the ceiling on income is concerned, this Government's policy is to approach taxation in a pragmatic way and not from the doctrine point of view.

SHRI K. LAKKAPPA: Sir, I put Question No. 289.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SAWAI SINGH SISODIA): Sir, I reply to Question No. 289.

MR. SPEAKER: Let there be no collusion.

News Item Captioned "Rs. 3 crores tax Evasion uncovered"

289. **SHRI K. LAKKAPPA:** Will the Minister of FINANCE be pleased to state:

(a) whether his attention has been drawn to the news-item captioned 'Rs. 3 crores tax evasion uncovered' appearing in the Indian Express dated 12th November, 1981;

(b) if so, full facts thereof;

(c) full particulars of the firm involved;

(d) action being taken in the matter; and

(e) action proposed to avoid recurrence of such tax evasion by the said firm and others?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SAWAISINGH SISODIA): (a) Yes, Sir.

(b) to (e): A Statement is laid on

the Table of the House.

Statement

Acting on reliable information that M/s. Continental Construction Company, a Private Ltd., Company, engaged in the construction work at Visakhapatnam port was evading income-tax, the Income-tax Department conducted search and survey operations on 19-3-81. These operations were mainly directed towards recovery of documents which indicated large scale tax evasion by the company which in fact were obtained during the course of these actions. Examination of these documents, *prima facie* indicate that the company had evaded income to the extent of Rs. 3 crores over the Assessment years 1972-73 to 1977-78 by making false claims on account of depreciation and development rebate. Appropriate action has already been initiated under the Income-tax Act by the department in the case. To tackle such cases, the Income-tax Department has also strengthened its anti-tax-evasion machinery.

SHRI K. LAKKAPPA: Mr. Speaker Sir, M/s. Continental Construction Company is a Delhi-based one and is having a huge contract at Visakhapatnam Port. According to the information that has been placed on the Table, I must congratulate the Finance Minister on taking very prompt action. But there are certain duties to be carried out regarding further action on the tax evader. I think, this firm is not only involved in a scandal of Rs. 3 crores but it is more than Rs. 3 crores over the last ten years. The statement does not disclose various details such as the *modus operandi* of tax evasion at various stages. I would like to know, therefore, the action proposed to be taken and the *modus operandi* of this tax evader who had given a false claim on account of depreciation and development rebate.

SHRI SAWAISINGH SISODIA: As far as the recent tax evasion is concerned, a raid was conducted on the