Mr. Speaker: The question is:

"That leave be granted to introduce a Bill further to amend the Banking Companies Act, 1949."

The motion was adopted.

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

FINANCE (NO. 2) BILL AND FINANCE (No. 3) BILL—*contd.*

Mr. Speaker: The House will now take further consideration of the following motions moved by Shri T. T. Krishnamachari on the 5th December, 1956:

(1) "That the Bill to increase or modify the rates of duty on certain goods imported into India and to impose duties of excise on certain goods produced or manufactured in India and to increase the stamp duty on bills of exchange, be taken into consideration."

(2) "That the Bill further to amend the Indian Income-tax Act, 1922, for the purpose of imposing a tax on capital gains and for certain other purposes and to prescribe the rate of super-tax on companies for the financial year 1957-58, be taken into consideration."

Discussion on both the Bills will continue. Time allotted is 8 hours 30 minutes. Time taken 13 minutes. Balance available 8 hours 17 minutes.

The hon. Minister.

The Minister of Finance and Iron and Steel (Shri T. T. Krishnamachari): I have finished my speech.

Shri Tulsidas (Mehsana—West): Before we proceed with the consideration of this Bill, I would like to refer particularly to my motion with regard to referring this Bill to the Select Committee.

Mr. Speaker: Which one? We have not yet come to that Bill. It is the third Bill.

Shri Tulsidas: Yes. We are taking up both the Bills together.

Shri N. C. Chatterjee (Hooghly): That was decided.

Shri Tulsidas: I would like to raise, if I may use the phrase, a point of order or a point of clarification.

Mr. Speaker: Has he given notice of the motion?

Shri Tulsidas: Yes, I have given notice, and I am moving the motion to refer the Bill to a Select Committee.

Mr. Speaker: Let him make the formal motion.

Shri Tulsidas: I beg to move:

"That the Bill referred to a Select Committee consisting of Pandit Thakur Das Bhargava, Shri Tek Chand, Shri G. L. Bansal, Shri R. R. Morarka, Shri T. S. Avinashilingam Chettiar, Shri C. D. Pande, Shrimati Tarkeshwari Sinha, Dr. Ram Subhag Singh, Shri Fulsinhji B. Dabhi, Shri Jhulan Sinha, Shri H. C. Heda, Shri Bhagwat Jha 'Azad', Shri Shree Narayan Das, Shri A. M. Thomas, Shri C. C. Shah, Shri K. S. Raghavachari, Shri B. Ramachandra Reddi, Shri N. C. Chatterjee, Shri Frank Anthony, Shri T. T. Krishnamachari, and the Mover, with instructions to report by the 17th December, 1956."

This is in respect of Finance (No. 3) Bill.

Shri T. T. Krishnamachari: I wonder if the hon. Member realises that the House rises on the 21st and the Bill should go to the other House also.

Shri N. C. Chatterjee: You can accelerate the date if you want.

Shri Tulsidas: I am only mentioning this because I would like to have your guidance in this matter. I am appealing to you as the custodian of the rights and privileges of this

[Shri Tulsidas]

House as well as of the proprieties relating to parliamentary procedure to give your considered opinion, as to whether it is at all proper for the Government to rush this measure with undue haste by the quick procedure of a Finance Bill even though it contains substantial amendments to the Income-tax Law. The hon. Finance Minister has already said in his speech that most of the measures under Finance (No. 3) Bill are of a permanent character, and they are being brought in under the Finance Bill. All the provisions of the Bill except those proposing an increase in the rate of super-tax on dividends (clause 8) are of a substantial nature, which are intended to make permanent changes in the existing statute law, and if enacted, will have far-reaching effects. As such, they should be considered carefully. The proper thing to do is to adopt these provisions by a separate amending Act. The least that should be done is to refer the Bill to a Select Committee which can be directed to return the Bill within a week in order to save time.

The Bill is obviously carelessly drafted, especially clause 3. As I said before, the provisions in respect of compulsory deposits of corporate reserves have nothing to do with raising of revenues, and as such cannot be reasonably included in the Finance Bill. Moreover, since the provisions are applicable to the next revenue year of 1957-58, it involves a constitutional issue in my opinion. Is this House competent to lay down now the new taxes to be collected for the year 1957-58? Can we commit our successors, whoever they may be, with a *fait accompli* in respect of a revenue year that is within their purview? I think this event is unique in the history of our country. Never has a Government of this country proposed taxes in November or December of a year which are applicable to a revenue year beginning with April of the next year.

We have no precedent to guide us and this is an important constitutional issue and it should be decided carefully by a Select Committee. A similar point has been raised by me in last April, when Shri C. D. Deshmukh, was the then Finance Minister and you were the Speaker. I am quoting your own observations when I raised this particular point:

"The hon. Finance Minister referred to this matter in his speech which he delivered just now. He referred to this matter pointedly. A Finance Bill is intended to raise taxes which would subsist only for that year. The main object is to provide funds for the expenditure which had been voted by the House. That is the simple object of the Bill. Therefore, it is reasonable to say that other provisions relating to statutes, which are of a more permanent character, ought not to be clubbed with it but discussed on the floor of the House in a more leisurely manner. Linking them with this gives an appearance of emergency and, therefore, such kind of thought cannot be bestowed upon this. Though it is not technically incorrect to include a number of Acts for the purpose of amendment in a simple Bill of this kind—as a matter of fact, the Post Office Act is amended, the Excise Duties Act is amended, the Customs Act is amended, and various Acts can be amended in a simple Bill—the object is all for the purpose of raising funds to meet the expenditure which has been voted. Amendments of a far-reaching character must be considered a little more leisurely."

I had raised the point and then you had mentioned at that time:

"Shri Tulsidas appealed to my being in charge of these rules and regulation of the House. When did he discover it? Only now? As soon as he wrote to the Finance Minister, he could have easily told me. This is a matter of detailed consideration. I am under the impression that this can be done only in the next year; it could not be done this year. These things ought not to be clubbed."

In view of these remarks and in view of the point that I have just made that these proposals under the Finance Bill No. 3 are to take effect in the year 1957-58 and are not to take effect from now on, is it fair for this House to hurry up with this matter in a manner as it has been done here, and without giving proper thought to the different amending clauses to the main statute?

The other point is, as I mentioned, I do not know whether it is constitutionally correct or not when you have several times said that we should have very healthy conventions in the House. Now, is it fair for the next Parliament to be faced with a *fait accompli* from now on? We do not know what the set-up of this House will be after the next election; we do not know whether the present ruling party will be in power; we do not know whether the present Finance Minister will be here. I would like to know whether it is fair for this House to commit the next Parliament to these things. The Finance Bill is something where we normally provide for expenditure for the current year but in this Bill we are asked to vote for the next year's expenditure; we are going to pass something which in my opinion is very improper and against the healthy conventions which we should follow. To you as the custodian of the rights and privileges of this House, I request to take a positive action since you have expressed your own views in the matter and I suggest that the matter be referred to a Select Committee.

Shri N. C. Chatterjee: Mr. Speaker, my stand is somewhat different, from that of Shri Tulsidas. I am supporting this motion for reference to the Select Committee on different grounds. Some years ago, as you know the then Finance Minister, Mr. Liaquat Ali Khan had thrown a bomb-shell in the shape of a proposal for Capital Gains.

Shri Gadgil (Poona Central): It was a damp squib.

Shri N. C. Chatterjee: My hon. friend says it became a damp squib from the very beginning. I hope the present Finance Minister does not mean it to be a damp squib; it is meant to be an atom bomb. At least the private sector thinks like that. If they had done it to get at only the big bosses of Capital, I would not mind it, but I am afraid, there is a good deal of force in the criticism made that these present tax measures would lead to a contraction of economic activity in the country. The cumulative effect of Shri Krishnamachari's proposals would leave the private sector high and dry in the matter of obtaining funds for necessary development and expansion. I doubt how far his proposals are in conformity with the announcement made by the Prime Minister, who made it perfectly clear that the private sector should be allowed to play its part unimpeded, that they should be given a fair play, but this additional taxation on dividend and Capital Gains Tax runs counter to it.

Shri Gadgil: May I ask whether the point of order raised by my hon. friend Shri Tulsidas is to be discussed now or the main speech is being delivered?

Shri N. C. Chatterjee: I am speaking on that amendment, on Shri Tulsidas' amendment.

Shri Gadgil: It has not been formally placed before the House.

Shri N. C. Chatterjee: He has moved his amendment.

Mr. Speaker: I shall place it before the House.

Amendment moved:

"That the Bill be referred to a Select Committee consisting of Pandit Thakur Das Bhargava, Shri Tek Chand, Shri G. L. Bansal, Shri R. R. Morarka, Shri T. S. Avinashilangam Chettiar, Shri C.

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D. Pande, Shrimati Tarkeshwari Sinha, Dr. Ram Subhag Singh, Shri Fulsinhji B. Dabhi, Shri Jhulan Sinha, Shri H. C. Heda, Shri Bhagwat Jha 'Azad', Shri Shree Narayan Das, Shri A. M. Thomas, Shri C. C. Shah, Shri K. S. Raghavachari, Shri B. Ramachandra Reddi, Shri N. C. Chatterjee, Shri Frank Anthony, Shri T. T. Krishnamachari, and the Mover with instructions to report by the 17th December, 1956."

I take it that Shri Kilachand has spoken with respect to this and not with respect to the Bills.

Shri Tulsidas: I have only spoken on this motion, Sir.

Shri Gadgil: On a point of order, I may say that he has raised a point of order that the main Income-tax Act should have been amended instead of seeking an amendment to the Income-tax Act in the Finance Bill. I think that that was under discussion.

Mr. Speaker: I have put it to the House. He is entitled to speak; he has reserved his speech on both his motion on the Select Committee and also on the Bills before the House.

I thought he would address himself on the point of order, that the two things should be clubbed together in this Bill.

Shri Raghavachari (Penukonda): With your permission, may I say this: After hearing the submissions on the point of order and after your decision, the next stages might follow. That would be proper.

Shri N. C. Chatterjee: You may remember that when we were discussing one of the Constitution Amendment Bills—I think it was 1 or 2 clauses—the Business Advisory Committee unanimously recommended that no important bill like that should be placed before the House without going through the Select Committee and it was made perfectly clear by you from the Chair that that was only the exception and the general rule shall be that an important measure which brought in fundamental changes either in the Constitution or in the general set up should not be placed before the House without going through the Select Committee. I am supporting this motion because I think there is a good deal of force in the observation that when taxation proposals like this....

Shri T. T. Krishnamachari: Is he supporting the motion and not speaking on the point of order?

Shri Sinhasan Singh (Gorakhpur Distt.—South): Is the hon. Member supporting the point of order as well as the motion for the Select Committee?

Mr. Speaker: Hs is making the argument for the motion.

Shri N. C. Chatterjee: The two really overlap. The submissions made in respect of the point of order is this, that a Bill of this kind which introduces not merely fiscal changes of a very serious magnitude but will have very serious repercussions on the whole private sector is one that should be discussed in a Select Committee. Supposing there are a few gaps to be made up or we required certain detailed information, it may not be proper in a House like this to discuss it, or say how far foreign trade has been affected or how much it will improve by a certain action. There may be many details which should be discussed only in a Select Committee. In a Select Committee, many things can be put across the Table, and as a result of discussion we may possibly arrive at some kind of adjustment. This is very necessary, especially when Government are demanding, as you know, that the reserves, accumulations and profits above a certain percentage should be made over to the Reserve Bank—including current year's profits.

Mr. Speaker: What has the hon. Member to say on the point of order? The House is anxious to know whether he has anything to contribute regarding this point.

The Finance (No. 3) Bill consists of two portions. In one portion, the rate of tax is fixed, as also the manner in which it ought to be collected, by way of an amendment to the Income-tax Act. Now, the Income-tax Act is a procedural Act. The Finance Act is an Act which imposes the tax or fixes the rate.

I understood the hon. Member Shri Tulsidas to raise two points. Firstly, the Finance (No. 3) Bill is far in advance of the Demands for Grants which have to be voted upon by Parliament. If the taxes are mean to be there generally and for all time, then this may possibly be introduced at any particular time, and the rate may be fixed for all time. But annually the rates are fixed. The rates contemplated here are also intended only for the coming year, that is, 1957-58 and not for all time to come. Is it at all right that such a Bill as the Finance (No. 3) Bill ought to be brought forward now, before the Demands for Grants are granted tentatively or otherwise? That was his first point.

His second point was this. In fact, on a prior occasion, this matter was brought to the notice of the House. Is it all desirable that along with bringing forward some financial provisions, merely because there are financial provisions and some other Acts relating to finance are amended, advantage could be taken of this opportunity to make amendments to some other Acts which are not immediately consequential and on which attention will have to be specially bestowed independently and leisurely?

These are the two points that Shri Tulsidas has raised. What has the hon. Member to say on these? If he has nothing, then I shall hear the Minister of Finance.

Shri N. C. Chatterjee: I am emphasising the second aspect. There are so many drastic amendments which are sought to be made, and which may not be necessary, for, we do not know exactly what would be the financial requirements next year, what would be the budget, whether it will be necessary to put the whole thing on this footing, and so on.

Therefore, I am submitting that there is a good deal of force in the second point made by Shri Tulsidas. That is also in consonance with the trend of the debate and also your ruling or observations last time. You had stated that this kind of a thorough overhaul of a statute, which will have repercussions for years to come should not be done in this way, by being linked to a financial proposal and rushed through as a money Bill. I would submit that that is a very important point, and for that reason, this Bill should not be rushed through in this manner. If the Minister desires, we may accelerate the work in the Select Committee, and we can even finish it in two days or three days. But it is vital that this should be discussed thoroughly, and possibly, if it comes through a Select Committee, it may be amended so as to restrict its operation to the immediate necessity of the next few months of this year. But there should not be this kind of budget, and such far-reaching consequences on other substantive statutes should not be linked together in this manner and forced upon the House.

Shri Gadgil: Two points have been raised by Shri Tulsidas; firstly, the procedure under which these taxation proposals have been embodied in this Bill, is not legally correct, and secondly, it has not that mark of propriety which it should have.

Shri Tulsidas: I am sorry my hon. friend has not understood the point. My point was that amendments to the Income-tax Act have been made in this Bill, which is not proper.

Shri Gadgil: So far as the first point is concerned, the normal procedure with respect to a Finance Bill is that it seeks to amend several Acts under which taxes are levied. That has been the normal procedure and the normal course. Whether it be the Income-tax Act, or the Sea Customs

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Act, or the Central Excises and Salt Act, every budget proposal and the consequential financial proposals thereto as embodied in the Finance Bill have been of this nature.

Now, the second point is about propriety, that is, whether the House that may succeed this House should be bound down by this House. I think every generation has a right to bind down, morally, legally and constitutionally, the succeeding generation. Now, what is the meaning of the Five Year Plans? Have you not bound down to a reasonable extent the future generations and the generations that will be in this Legislature? If they do not like, certainly they have the right to reverse these things, amend them or modify them or do whatever they like.

Shri Kamath (Hoshangabad): Repudiate them.

Shri Gadgil: Then, the question is whether there are substantial changes proposed in this Bill. I do not agree with my friend when he says that it goes far too much. My grievance is that it does not go far enough. But leave aside my individual view. If there is really a substantial change, then the only remedy or the only way of meeting this situation is to give a little more time for discussion.

The remedy suggested by Shri Tulsidas is that it be referred to a Select Committee, so that the whole Bill can be thoroughly discussed there. So far as the desirability of having a Select Committee, is concerned, that is a matter for the Finance Minister to agree or not to agree to. So far as I am concerned, I find that the views are so stratified that in the Select Committee what can possibly be done is merely some change from the point of view of administrative convenience in the implementation of the provisions of the Bill that may ultimately be enacted, but on the radical and principal aspect of the matter, there is not likely to be any change. So, I think that it is not necessary to refer it to a Select Committee. The concessions which have already been promised, and whatever is administratively necessary for the private enterprise to function within the framework of the Plan, will certainly be made available by Government.

Thirdly, there is another factor which is far more important than all these. Are we living in normal times? We are all complaining that the inflationary pressure has risen, that the economic situation is worsening and so on. When that is the case, are not Government justified in bringing forward something like an emergency measure? From that point of view, Government are perfectly justified; from the point of view of expediency and principle also, they are justified in bringing forward the present Bills which embody—may be, according to some—far-reaching financial proposals. But there is no illegality in this, and I do not think it can be called improper in any constitutional sense of the word.

For these reasons, I think there is no point of order worth consideration.

Shri Ramachandra Reddi (Nellore): During this year, we have been faced with a number of Finance Bills. So, the procedure that has been laid down in rule 238 has to be considered closely. Rule 238(1) which deals with Finance Bills lays down:

> "In this rule 'Finance Bill' means, the Bill ordinarily introduced in each year to give effect to the financial proposals of the Government of India for the next following financial year and includes a Bill to give effect to supplementary financial proposals for any period.".

Ordinarily, there should be only one Finance Bill, and that should be introduced before the new year commences. But in this year, we have been faced with more than one Finance Bill. In fact, the Bill to amend the Central Excises and Salt Act, which was introduced in the last session, was more or less a Finance Bill. I would request you to refer to sub-rule (2) of rule 238 which lays down the procedure to be adopted with regard to Finance Bills. I would like to know whether the Chair is prepared to follow the method of allotment of time suggested in this sub-rule.

Mr. Speaker: Which rule is the hon. Member referring to?

Shri Ramachandra Reddi: I am referring to rule 238. In sub-rules (2), (3), (4) and (5) of this rule, a particular procedure has been laid down with regard to the Finance Bills. I want to know whether the Chair is bound down by these rules or whether it is going to waive these rules and attach no importance to these things. I am interested in knowing this, especially in view of the fact that Finance (No. 3) Bill makes certain proposals to be effective from 1st April 1957, which clearly shows that there is no urgency about this matter, and another session of Parliament, if it meets at all, might be able to take up this matter. Or if a new Parliament is elected by that time, it must be appropriate to that Parliament to take up any financial question like this. In this view, I think the matter has to be deeply considered by you, as to whether the method in which these financial Bills are ushered into this Parliament is correct and whether proposals necessary for 1957-58 should be taken up so early as now.

Shri Raghavachari: I am addressing myself only to the point of order raised. This is Finance Bill No. 2 and Finance Bill No. 3. Therefore, it must strictly conform to the procedure and practice laid down for consideration of Finance Bills.

First and foremost, a Finance Bill gets some emergency, because the Finance Minister feels that the next year's budget as approved cannot be balanced without fresh taxation. Therefore, there is some emergency about the matter. These proposals do not relate to the next year but to future years too. That is one objection.

Secondly, you will find that under the special procedure and practice that we have, when a Finance Bill is being considered, all things under the sun, all kinds of criticism about matters in all constituencies—in fact, all details—can be relevantly submitted. Now under this Finance Bill, we cannot naturally be permitted to go over the whole grievances that we have in respect of every constituency and every little item therein. The procedure that is usually adopted with respect to a Finance Bill in its consideration involves a general right to submit all the grievances that the tax-payers will ultimately have to face so that it can be decided whether the taxation is necessary or unnecessary.

Then again, this Bill is, no doubt, in the nature of raising some funds. But as Shri Tulsidas pointed out, it is not only raising funds, it is also compelling the deposits to be made; that portion of it will certainly not be raising funds for budgeting. It may be raising funds for investment; that is another matter. Compulsory investment cannot be a matter within the scope of a Finance Bill.

Then the provision for future years can certainly under no circumstances be said to be part of the Finance Bill. Therefore, to clothe this Bill with emergency by calling it a Finance Bill and therefore dragging along with it all these special considerations is not to be accepted, particularly when the present Bill contemplates to amend, add to or modify permanent laws like the Income-tax Act.

I am not questioning, as Shri Gadgil was justifying the emergency, the extraordinary powers of this parliament. Nobody disputes them. He may bring forward a general, ordinary Bill. The emergency might justify its introduction, consideration and passing. But what we are concerned with here is whether at the end of the year a Bill can be proceeded with to raise funds and permanently alter and modify the

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permanent laws, under the name of a Finance Bill with special procedure associated with Finance Bills. That is the point.

Therefore, as you have already pointed out last time when a similar matter came up, it is most appropriate that a Finance Bill must confine itself only to taxation for the current financial year and not be permitted to take up general legislation for future taxation.

Pandit Thakur Das Bhargava: (Gurgaon): I will just respectfully call your attention to article 112 of the Constitution which runs thus:

> "The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, in this Part referred to as the 'annual financial statement'."

Normally, the procedure is that, first of all, the House goes through the Demands for Grants and after that is done, the Finance Bill is passed. We find that in the Finance Bill always provision is made for the expenditure of the year. In this Bill, there is no reference at all to the demands or what demands will be in the next year, what is to happen so far as supplies are concerned and so on. Here we find that instead of one Finance Bill, there are three Finance Bills. This is the only year in which we have had more than one Finance Bill coming before the House. I do not know whether we will be justified in saying that these two Bills are really Finance Bills. So far as the nomenclature is concerned, they are certainly not annual financial statements.

You will kindly see that the heading given to these matters is "Procedure in financial matters". Then we have articles 112 to 119. The present question relates to the propriety of having provisions in this Bill which are of a permanent character, the intention of which, at the same time, is to get money not for the next year but for the coming years. My submission is that nothing will be lost if this Bill is divided into several parts.

Suppose the hon. Finance Minister wants to get money from this House. There is nothing wrong in bringing forward another Bill for amending the Income-tax Act. At the same time, I am quite anxious that if an amendment of that nature is brought forward, an amendment of a permanent character, it ought to go to a Select Committee. The procedure that is now adopted is a wrong procedure. I understand that in previous years the convention was that every Bill of importance—what to speak of a Finance Bill which seeks to amend the Income-tax Act—should be referred to a Select Committee. It was in the Select Committee that it was fully discussed. Now, I find that Shri Gadgil says that this is a matter in which we can devote more time in the House. That means that he does not realise the difference between the deliberations in the Select Committee and more time being devoted in this House.

I am very anxious that all important Bills, irrespective of the other objection which my hon. friend has just now raised, should go to Select Committees so that the matter may be thoroughly thrashed out there; there is no question of acceptance of the Bill in this way. I know that the Government are hard up for time, because they want it to be passed in this House now. But nothing will be lost if three or four days are allowed for this Bill to be considered in the Select Committee and the needful being done.

Apart from this, I think there are certain provisions in this Bill which, as a matter of fact, ought not to go as an amendment to the Income-tax Act also. Measures relating to deposits etc. really form part of the provisions of the Indian Companies Act rather than of the Income-tax Act.

I should, therefore, think that in a matter of this nature, it would be better if the Bill was redrafted. Only such matters as ought to come within the purview of Finance Bills should remain in this Bill. Some of the proposals envisaged relate not to the coming year, but to some other years. That is another objection.

Realising that there are three or four objections to this Bill, which are really overlapping each other—one is not connected with the other—I would respectfully ask you to go through the subject-matter separately and give your ruling in respect of the three matters. The question whether it ought to be referred to a Select Committee is really quite different from these matters. That may be agitated again. But for these matters, a ruling may be given. Then we may discuss the question whether it ought to go to a Select Committee or not.

Shri T. S. A. Chettiar (Tiruppur): I am sure this House cannot accept the view that a Finance Bill cannot be introduced at any part of the year. Whenever there is need for larger expenditure, Government are entitled to come before this House with proposals for fresh taxation. Therefore, there is no point in saying that taxation Bills cannot be introduced now. Another matter I may make by way of suggestion. It will be a different House that will be sitting next year. Shri Kilachand asked—these were the words he used—whether this House is entitled to approve proposals for taxation relating to next year. I think the Congress Party and the Finance Minister must be congratulated. Here is a case where we are levying extra taxation when the elections are coming. In spite of the elections being before us, here is the Congress Party which has come forward with a taxation proposal. That itself is a claim for the *bona fides* of the Government that we are prepared to tell the people what we are out for.

13 hrs.

Pandit Thakur Das Bhargava: Who questioned the *bona fides* of the Government or of the Finance Minister?

Shri T. S. A. Chettiar: A suggestion was made that this House is not entitled to pass a legislation like this. There is one aspect to which I would like to mention in the points made by Shri Tulsidas Kilachand. There are two kinds of proposals in the Bills before us. One is, technically, taxation measures, that is enhancing the duties. The usual practice is that these matters relating to enhancement of duties are not referred to Select Committees. But there is another part of this Bill which is very important, that is the new clauses that are being introduced relating to compulsory deposit. This is a new principle that is being introduced in the Income-tax law and the point now is whether Government can introduce by way of a Finance Bill new principles of taxation. My humble opinion is that the amendments that are sought to be made to the original sections of the Income-tax Act, not merely for the purpose of taxation, but introducing new principles of taxation, by way of tax or by way of deposits, are very important and I do think that an important piece of legislation like this should be referred to a Select Committee.

You have allotted eight-and-a-half hours for the whole of this Bill. I think we should not hurry up or hustle up amendments to basic Acts like this and in the interest of good tradition, in the interest of good discussion and in the interest of good examination of the basic points that have been freshly introduced in the Income-tax law by way of amendments in this Bill, at least this portion must be referred to a Select Committee; thereby you will be safeguarding the interests of this House.

Shri T. T. Krishnamachari: Sir, I am afraid the dilatory character of this point of order as well as the motion for reference to Select Committee has not been correctly appreciated by hon. Members on my side who supported the motion of my hon. friend

[Shri T. T. Krishnamachari]

Mr. Tulsidas Kilachand. Of course, my hon. friend is exercising a right that he undoubtedly possesses of delaying legislation and that is the object of both the point of order as well as the motion for reference to Select Committee.

I may venture to invite your attention to the last Finance Act and the remarks on the composition of that Act, which emanated from the discussions to which reference has been made. Seventeen sections and several sub-sections of the Income-tax Act were amended by the last Finance Bill. I am not saying that there was a case for raising a question of further examination or not. Even so, there it is: what happened is a thing known to this House.

So far as these particular measures which are clubbed together are concerned, the points that have been raised are: one, the Constitution provides for an annual financial statement, so that there can be no Finance Bill in the interval and the Finance Bill can only be introduced once a year, the second point is that by and large the income is going to be expended in the next year and therefore we should not come in with a Finance Bill now, unless we have expenditure ahead of us; the third point—which is a very valid point undoubtedly—is that the mortality of this House is known, and naturally along with that the fact goes that the Government is not immortal, nor am I. I would like to concede that point straightway to my hon. friend Shri Tulsidas Kilachand. A friend who has worked with me for some time, and we have both worked together, was found dead in his bed yesterday. It may happen to me or to my hon. friend opposite. That does not mean that we should delay action.

The mortality of a human being is there and similarly every institution that we create has got a period and it ends. As my hon. friend Shri Gadgil pointed out however our responsibility is a continuing responsibility. It may be that the next Government that comes may change their promise; so long as I do not change, this policy has got to be continued. It has got to be continued until the last day of this House. It may be necessary for me, if circumstances so warrant it, even to make a breach into conventions and pass an ordinance. The circumstances that prevail may be a justification for my taking action to which the constitutional conscience of my hon. friend Shri Tulsidas Kilachand which has been so highly developed to a very refined degree during the last four-and-a-half years might feel unhappy, or feel injured. The point, therefore, is that this is admittedly a dilatory motion and the reference to the last Finance Bill does not bear out his case, because of the changes to seventeen sections and several sub-sections in that Bill. That Bill amended section 34 of the Income-Tax Act.

Section 34 is a very important factor so far as my hon. friend Shri Tulsidas Kilachand is concerned. Reopening of cases under section 34, going into books and various other things that are contemplated in the last Finance Act makes me feel that he might have made all attempts to get them changed, which I do not know if he did or he did not.

So far as these particular measures which are before the House are concerned, there is undoubtedly element of urgency in them. The urgency comes from the fact that apart from the question of raising revenues which undoubtedly is there,—it is not incidental, it is primary—there is another reason. The other reason is that there are inflationary circumstances now existing. Certain things are happening which have to be stopped.

There is another fact and there is no point in my not referring to it. It is that the future Government that would come in—assuming that I am not there, or my party is not there—will start operating some time about the middle of May, and my hon. friend Shri Tulsidas Kalachnd, if he has the good fortune to come back, or I have the misfortune to face him, will say: "Oh, on the 15th of May you are imposing taxation; the whole of the half year has gone. You should not impose anything now. This is *ex post facto* legislation, or taxation." That is quite an easy; Usage to make that is a fact which has to be considered.

So far as this measure itself is concerned, my hon. friend Shri Chettiar gave me qualified support. So far as the amendment to the Income-tax Act is concerned, I am not introducing any new principle. I am only amending the procedure in regard to particular section which already exists in the statute. It is very necessary today that I should tell these people that capital gains tax will be imposed and that is the only way by which I can tell people that they cannot indulge in speculative activity, because speculative activity will mean that I will get only a portion of it and the fruits of speculation will not all remain with this speculator. Therefore it is very necessary.

So far as this question of deposits is concerned, I would like to mention this. It is perfectly right—I think my hon. friend will concede—that I can change the rate of taX on dividends. And what is the consequence? The consequence of it is people would not declare dividends and the money would be put into reserves there is a chance of its being abused. We do not want the reserves which are built up as a consequence of my raising the tax on dividends to be abused. In fact, I am not imposing a new penalty, or saying that I shall do this or that if you do not deposit a part of this reserves with us. All I say is if you deposit the money I shall refund it to you if you need the monies. If you do not do it the penalty is my withholding of privilege, of the tax from concession on the development rebate and the depreciation allowance which I am allowing. I say I will withhold that concession. Should I not say that? Is it not a concomitant on my raising the tax on dividend that the privilege should be withheld? Am I to suit my friend Shri Tulsidas Kilachand and people of his tribe to say, 'I will impose a higher tax that on dividends, all right; you put the money in the reserve fund and spend it as you like and allow somebody else to purchase that company in order to get the reserve fund'. The whole act of Government is a co-ordinated act. My hon. friend thinks that we people have no wisdom and that we act by fits and starts and we act without a plan. My hon. friend Shri Kamath always thinks that we are a set of planless people. I should like to say he has got....

Shri Kamath: Yours is a planned planlessness.

Shri T. T. Krishanamachari: At least there is some plan about it which my hon. friend has not got.

Shri Kamath: You will konw it by and by; do not be in a hurry; be patient.

Shri T. T. Krishnamachari: I suggest that there is no very big change. After all, what is it that I have done? The Capital Gains Tax is already there. It is to be brought into operation again with certain modifications which are necessary in the light of the circumstances. Of course, it is a permanent tax; it is already there. I am not introducing a new principle unknown to the tax structure of this country. I am not claiming any originality for it. What I am doing is to raise the rate of Tax on this dividend and the consequence of my raising is to allow it to go to the reserve. I am not saying I am going to impose a penalty. What I am giving is a free gift. I am giving it as a free gift and the money to be set apart for purposes of development rebates and depreciation allowance is to be deposited. I say if you do not want to deposit

[Shri T. T. Krishnamachari]

and want to take away that money for your purposes I shall not give you the free gift. I claim that I am entitled to do that as a consequence of the measures that I have taken.

So far as the Stamp Act is concerned, again, it is a necessary weapon that I need today for the purpose of preventing certain monetary trends and I cannot wait until the next year. These are two integrated pieces of legislation.

The question really is: could it be bettered by going to a Select Committee? I must humbly submit that much as I value the wisdom of my hon. friend Shri Tulsidas Kilachand, much as I value the erudition of my hon. friend Shri Chatterjee, I do not think they are going to contribute in any way to improve this Bill and make this a better instrument than what it now seeks to be.

There is also the time factor. If I had introduced this early in a session which is going to last 3 months, we can take some time provided the law comes into operation immediately. But it is not so now. This reference to a Select Committee is a dilatory motion. It is to be reported on by the 17th December so that the Bill will not be passed this session because it cannot be passed here alone and it has to go to the other House. The hon. Members asked for 8½ hours. I shall certainly not raise any objection or from the point of order if they refer to the fact that the Finance Minister does not sit in the proper way, but sits sideways or something else. Any act of Government, whether it is a right one or wrong is one that can be raised in the Finance Bill and I shall claim no privilege for the purpose of shutting out debate on any action of Government. The Business Advisory Committee have been kind enough to give 8½ hours so that we may discuss this economic policy of Government. That was the view of the hon. Members in the Business Advisory Committee so that we might discuss the entire economic policy of Government. I shall welcome any criticism.

I rather beg to submit that the point of order has no point for the reason that the Act sought to be amended is consequential on raising the revenues. I also would like to submit that the particular provision of the Constitution referred to by my hon. and esteemed friend, Pandit Thakur Das Bhargava has no relevance, that there should be only an annual financial statement. There is nothing to prohibit having a supplementary statement as there are supplementary budgets. I woud like also to say that I am unable to agree to the dilatory motion in the present context of the economic condition of this country.

Shri Tulsidas: May I point out to the hon. Finance Minister that this is not a dilatory motion because he introduced the Bill only last Friday? It has been on the Order Paper only from day before yesterday. So, I had only very limited time to put in this amendment. If it had been introduced earlier it would have been much better.

Mr. Speaker: I have heard the two sides. So far as the motion for reference to a Select Committee is concerned, it is contended that it is a dilatory motion. Shri Tulsidas contends that the Bill was introduced only a short time ago and so it is not so. I have allowed the Bill to be introduced and the motion to be moved here. It is for the House to accept or reject it by taking into consideration all the points of view expressed from all sides.

So far as the point of order is concerned, two views have been pressed before the House. One point is that it is a Finance Bill and for every Finance Bill there is a particular procedure laid down both in the Constitution and under the Rules, and that must be followed. After the Demands for Grants are voted by the House and the House is satisfied that so much money is necessary, provision must be made by way of taxation, from year to year. That is the object of the Finance Bill. On that ground these two Bills, the Finance (No. 2) and (No. 8) Bills ought not to be allowed here.

The hon. Minister explains there is an emergency and that this Parliament is not likely to continue and if the fresh Parliament were to come in, it would begin to function only by June. In the meanwhile, the year which is sought to be defined under this Bill, ending 31st day of March 1956, would be over. It would be too late for anybody to have all these accounts and so on. It would then be said that it would be taking people by surprise and so on.

There is the further need of the Plan which has been envisaged or a period of 5 years. This financial statement from year to year should be given not the ordinary import as purely a financial statement for the expenditure in the year only but as a permanent one for the revenue and expenditure for all years under the Plan. It is by that implication, therefore, the hon. Minister says that there is an emergency and that he will be able to satisfy that during the discussion whether that necessitates this or not. It is another matter which could be discussed.

That apart, it is contended that it is just on the eve of any particular year the Finace Bill is brought—on the 28th February, that is, in advance of the coming year. The Act is passed not for that year but for the coming year. Therefore, there is no harm if a Bill is introduced in advance of that —February or March—2 or 3 months in advance so as to come into operation from 1957-58. That objection is not also sound.

There is another point so far as that particular matter is concerned. The expenditure could not be incurred in the circumstances and it will be too late to bring in a Bill of that kind to cover the expenditure. It is likely that there might only be a vote on account.

So far as the other objection is concerned, it is that amending provisions of a substantial Act, the Income-tax Act—and provisions for amending the procedure etc. are included in this—ought to be done by way of a separate Bill and more time and attention ought to be bestowed upon that. I understand from the hon. Minister that so far as the deposits are concerned—especially with respect to which a point has been raised by Shri Chettiar—the provision is ancillary or consequential. I do not say that. That is what he says. The Finance Minister says that in order that no speculation may be indulged in he wants to put this tax so that it may not go from one pocket to another. He thinks that the only way of avoiding it is by imposing this tax and make them deposit the amount and so on. This is a matter which could not be discussed in a minute.

There are some statements here which are not relevant. The hon. Minister who has brought this Bill with respect to an emergency according to him defends the clause regarding deposits etc. Last year, it is true that I said—and I still stick to that view—that in a Finance Bill, only provisions relating to the taxation measures to meet the expenditure that has been voted upon by the House ought to be there. Otherwise, there is no meaning in a Finance Bill. During that discussion opportunity is taken to review the whole administration, whether it has been working right or wrong, whether the funds voted have been handled properly, with respect to the expenditure, whether a year is lean or fat and all that. All these should be taken into account.

So far as this is concerned, that is why though only a few Bills or a few Acts are allowed to be amended, like the Stamp Act, the Postal Act, etc., these are all necessary for the purpose of raising revenue wherever additional tax is put—not the Stamp Act, but the postal rates, sea customs rates, etc. are improved from time to time, they can be improved, and, therefore, they

[Mr. Speaker]

are brought under the annual Finance Bill.

I would normally urge upon the Finance Minister, not only he but also all his successors, to see to it that only those provisions which relate to the raising of taxation should be included in the Bill. The procedure should be followed and no other provisions should be given attention to unless they are absolutely consequential. If we have to provide by way of an amendment to the Income-tax Act or by way of an amendment to a substantial Act, Government must come forward with an independent measure separately, and the House will have ample opportunity to consider it. But in a Finance Bill those things ought not to be normally included. Even though 17 clauses were included last time by way of an amendment to the Income-tax Act, I still hold the view but for the point having been raised and it is a little too late now. I would urge upon the hon. Minister to see that the House should bestow sufficient attention upon all these matters and there ought not to be any impression in any quarter that without knowledge of the full import of the discussion anything was brought in this House. That ought to be avoided, at any cost wherever it can be avoided.

But in the peculiar circumstances of this particular case and having heard the hon. Finance Minister that the clauses that touch or seek to amend the Income-tax Act are only consequential, and also in view of the fact that we are not meeting again shortly and though this Bill is intended to come into operation from the beginning of 1957-58, it is in a way touches upon the income from 31st March 1956 onwards, I do not consider that there is any point of order. I am not going to allow that. I will now allow discussion both on the Bills as also on the motion for reference to Select Committee.

Shri Tulsidas: I was only referring to my motion for reference to Select Committee......

Mr. Speaker: I am not going to allow another opportunity to him to discuss the Bills. He can, therefore, speak on this motion and on both the Bills. Both the Bills are taken up together.

Shri Bansal (Jhajjar—Rewari): We have taken about an hour and a quarter for discussing this matter, and we think that this time will be added on to the allotted time.

Mr. Speaker: We are meeting tomorow. This is part of it. Whatever objection has been raised has been raised. Anyhow let us see how many people are interested in this discussion.

Shri T. S. A. Chettiar: This time should not be part of the 8½ hours allotted for this discussion.

Shri Tulsidas: Are we discussing this tomorrow?

Mr. Speaker: No.

Shri Jhunjhunwala (Bhagalpur Central): When will we take it up for discussion again.

Mr. Speaker: On Tuesday next.

Shri Tulsidas: Sir, you have ruled out my point of order because there is an emergency. I would like to point out to the Finance Minister the problems which he has himself pointed out in his speech—the important problem of the price trends about which he himself just said there are the problems of speculation and so many other things. I would like to know whether these measures which he has brought forward are going to solve these problems, whether these measures are intended to solve the problems which he has pointed out in his speech, and which he considers as emergency measures. I can understand an emergency if there was the question of a war or some sort of trouble. What is the emergency here?

I would like to point out to the hon. Finance Minister that by his own statement, the amount which he will be collecting on account of these measures will be a paltry sum of Rs. 4 or Rs. 5 crores for a total year.

Shri T. T. Krishnamachari: If I may interrupt, it may be paltry to my hon. friend who is probably worth several crores, but it is very big sum so far as I am concerned.

Shri Tulsidas: I am not comparing Shri T. T. Krishnamachari but I am comparing the Government of India. He speaks on behalf of the Government of India, and he himself says that the amount of increase in the Plan will be about Rs. 500 crores, and the amount of money that he hopes to realise by this measure is Rs. 4 or Rs. 5 crores this year, Rs. 10 or Rs. 15 crores next year, and it is not more than Rs. 40 or Rs. 50 crores for the whole Plan period.

Mr. Speaker: Just a word. So far as the time is concerned, we have allotted 8½ hours. We may or may not be able to extend it. It has to be finished within the time chedule, and I would, therefore, suggest that hon. Members, who are leaders of Groups, may have half an hour and others 15 or 20 minutes each.

Shri Tulsidas: Apart from this difference of opinion between myself and the hon. Finance Minister, I must say at the outset that we have got today in the country a Finance Minister of high calibre, very superb nature and versatile experience in Shri T. T. Krishnamachari. He has had the experience of handling the Commerce and Industry Ministry for the last five years and he has managed that Ministry in a most successful manner. I am sure the practical acumen that underlined his handling of the Commerce and Industry Ministry will mark his handling of the Finance portfolio. He will certainly consider the experience he has had in the Commerce and Industry Ministry as a great help in the role that he has now to play. After all, even as a Finance Minister, he has to see that the objectives that we have in the Second Five Year Plan or whatever Plans that we have are achieved in a manner which will give him the same prestige and respect from the country once more as for his handling the Commerce and Industry portfolio.

13·29 hrs.

[PANDIT THAKUR DAS BHARGAVA *in the Chair*]

This House has every right to expect great things from him. I venture to say that he gives promise of becoming a great statesman, probably the greatest Indian statesman since Kautilya. Let us hope that he continues in office long enough to fulfil this promise.

The practical man that he is, he seems to abhor idealistic concepts....

Shri Asoka Mehta (Bhandara): The Finance Minister is now getting all the encomiums, and I would like you to draw the attention of the hon. Finance Minister to the lot of encomiums that he is now receiving.

Shri T. T. Krishnamachari: I think my hon. friend will tell me that again.

Shri N. C. Chatterjee: The Finance Minister is the second Kautilya.

Shri Tulsidas: I always say that the Finance Minister has been the friend, philosopher and guide of the trade and industry......

Shri Asoka Mehta: The cat is out of the bag.

Shri Tulsidas: ......and has also shown in his former speeches that he abhors idealistic concepts such as social welfare, welfare State and socialist pattern of society. Some time back, during the course of the Second Plan debate, he did not seem to like the idea of my referring to social welfare and socialist pattern of society. In his speech he replied to my point of view stating that I spoke very nice words and expressed very nice sentiments. After all, we are thinking of a much better thing; not only a welfare State for something much more progressive and so on. I wish him all the best of luck in this respect.

[Shri Tulsidas]

I personally believe that the social welfare is the ultimate aim of this country; it must be the ultimate aim. There can be nothing else. The patterns are only means to an end. The end or the goal is social welfare. He was sarcastic about it when I spoke, and said that I must have been briefed to speak such things. I do have my own ideas and I can assure my hon. friend, Shri T. T. Krishnamachari, the Finance Minister, that I do not have anything of the scale of the Government departments from which they could get briefs or inspiration. That is the monopoly of the Minister. They are briefed quite enough by the Secretaries who are highly paid.

I have been saying that social welfare alone is the principal social goal. The socialist pattern of society or any other pattern is of no avail if it does not lead to the goal of social welfare. The socialist pattern of society is a convenient term coined by the Government Party to describe the type of socialism towards which they are leading the country; the term has deliberately been kept nebulous to accommodate all sorts of views and enable a wider party affiliation. In any case, the Government are leading the country towards this elusive mirage of socialist pattern of society caring little whether social welfare is increased in the trail.

To maximise social welfare, we should try to maximise the productive effort of the nation. All sections of the people should be enthused into action. In a democratic society, the only way to achieve a common end is to have people's co-operation. For that, they must be enthused. You cannot get the co-operation of the people by force. It is only in a society of my friends sitting to my right, the communists, that they can force the people. Even there, they are failing. People can be enthused by giving them certain encouragement. The Prime Minister, while speaking on the discussion on the Second Plan, has said that he wants people's co-operation. Before we achieved Independence, we were enthused by the idea that we should get rid of the foreign Government. After that, I do not know whether the same enthusiasm prevails. The policy of the Government is such as not to enthuse the people. They would get enthusiasm if they have a little better things to wear, more food to eat, a better standard of living. When I said so last time, the hon. Finance Minister has said: "Shri Tulsidas Kilachand is wearing nylon cloth." I only wish that every one in this country were in a position to do so. The hon. Finance Minister puts on the Kashmir cloth. I would like every one of my countrymen to have such clothes......

Shri N. C. Chatterjee: What will happen to your textile mills?

Shri T. T. Krishnamachari: I am wearing sack cloth and I expected you to give me ashes!

Shri Tulsidas: I think that the effects of these budget proposals or taxation proposals will be too adverse on the economy of the country compared to the paltry revenue of Rs. 6 crores or so this year or Rs. 16 crores in the full year that they will yield. Such a small amount is not going to save us from inflation.

The Finance Minister has referred to two important problems in his statement: inflation and foreign exchange. By having these budget proposals......

Shri Shree Narayan Das (Darbhanga Central): They are taxation proposals; not budget proposals.

Shri Tulsidas: The Finance Bill is brought in after the Budget. Therefore, they are in a way budget proposals.

Anyway, is he going to solve these problems by these proposals? The Finance Bill—No. 2—provides for an increase in customs duties and excise duties. Does he expect that the imports will be reduced by the increase in customs duties or that consumption

[Shri Tulsidas]

will be reduced by increasing the excise duties? I do not think so. It may be a political stunt to have these proposals. But, that is a different thing. I can understand the emergency for that. But, I do not understand the urgency to get these proposals passed at this stage, when they are not going to solve any one of his problems. They can only be solved by an increase in production and a reduction in imports into this country.

He also spoke about the monetary stringency. Who created this problem? The Government had been warned last year of the inflationary potential of the policy and of the Plan which they had before them. They emphasised investment in heavy industries and neglected the problem of consumer goods production even by going to the length of implementing the absurd proposal to restrict the expansion of the mill sector to afford internal protection to the cottage sector. I must admit that the hon. Finance Minister who was then in charge of the Commerce and Industry Ministry cannot be held responsible for that situation inasmuch as he opposed the impractical proposal to restrict mill production. He was always for having the maximum possible consumer goods production in the country. This can be seen from his speech on the demands for grants of the Commerce and Industry Ministry when he said:

> "A dichotomy is, therefore, permissible between consumer goods industries and a different approach in regard to planning for each type......"

I am quoting his own words. He said:

> "While a relative flexibility can be maintained in regard to targets for consumer goods which should be treated as the minimum level of production to be attained rather than ceilings, some rigidity in regard to targets for producer goods industries is vital in order to achieve our objective."

His approach to the Plan then, in my opinion, was much more sensible. He had foreseen the danger of inflation as well as of the heavy social cost and sacrifice of human values involved in an over-ambitious programme. I am again quoting from the same speech:

Shri T. T. Krishnamachari: Torn from the context.

Shri Tulsidas: No, it is a separate paragraph. Here he says:

> "Speaking for myself with the little knowledge that I possess about planning in other countries, I would not commit this country, if I have any say in it,"

—which he has now—

> "to a type of planning which, while it might seem to meet our immediate aspirations, would in actual fact be impossible of achievement. It does not good to flatter ourselves that we can do something more than what is actually possible. It would, in my view, be equally undesirable to undertake an expansion for which we may have to pay a price that is too high in terms of social and may I say—spiritual cost. It is important to assess our physical needs. We must naturally aspire to satisfy them. But if planning has any meaning, we must measure our aspirations against two yardsticks: (1) our financial resources both present and those likely to come into being in the Plan period; and (2) our physical resources specially in terms of personnel."

Now, as Finance Minister, he is confronted with the problem of inflation. physical shortages and the consequent foreign exchange difficulties, which he feared then. I am sure he must be feeling fully prepared to meet the challenge, and that is what he is doing by bringing these emergency measures. I would like to know from him if these are really going to solve the problems.

As I said, the disincentive effect of the tax proposals will discourage not only investment of the people's saving in productive investment, but will also act as a deterrent to foreign investment. The increase in dividend tax will certainly affect investment in the corporate sector.

Shri T. T. Krishnamachari: May I humbly sumbit, Sir, that the hon. Member can speak about the internal situation. Why should he do propaganda amongst the foreigners also?

Shri Tulsidas: I am not doing any propaganda. I am only giving my opinion. I am sure the hon. Finance Minister is much more qualified than myself to know what the foreign situation is. I am only trying to give my opinion as an ordinary layman.

Shri N. C. Chatterjee: You are not a layman.

Shri Tulsidas: I am only trying to explain to him what I consider proper. I am not doing propaganda for anybody.

Sir, I am sure the Finance Minister is bound to tell me, well, you say that people will be disinclined to invest their savings whereas a few days ago when the shares of Hindustan Lever and Guest, Keen and Williams were offered to the public they were over-subscribed to the extent of five to six times. May I tell him that these offers were there before these proposals came, and I know for certain that many people who had put in applications for subscription wanted to withdraw them. I am merely telling him that, if he thinks that he is going to get people to invest more in the shares he is, in my opinion, rather badly mistaken.

We have, in this connection, large number of shareholders, people who have small savings and who want to invest in the ventures of the different undertakings, particularly in the non-Government sector because they find that in the non-Government sector there is chance of their getting a little more income than by investing their money in Government securities. There is also a chance of his getting a little more appreciation in the share value. The Finance Minister has tried to plug both these. He has tried to reduce the income of small investors by increasing the dividend tax. Also, if there is a little more dividend paid by the company and the price of shares goes up the capital appreciation will also be taxed. This is what I am trying to explain to him. I am sure he will be able to explain these to me. He would have sympathetically considered my point of view if it was made at the time he was Commerce and Industries Minister. But today as Finance Minister he will not consider this aspect at all at the present stage.

What has he brought in? It is the question of deposits. Let us consider the question of deposits. What is it that is going to happen? On the one hand, he himself point out in his statement that there is monetary stringency in this country, particularly in the banking system, and on the other he has brought in these measures. Let me point out to him that this particular measure which he has brought in, particularly when he is anxious to see that the monetary stringency must be reduced so that trade and industry does not suffer, is, in fact, going to increase the monetary stringency. The monetary stringency is going to be assentuated very badly. I would like to explain to him why I am saying so. If a company has any surplus, or idle resources as he calls them, a certain percentage of it will have to be deposited with the Reserve Bank or whoever the Government agent may be. Then that company which normally keeps most of its deposits in the banking institution will have to draw from the banking institution and deposit in the Reserve Bank. Similarly, supposing a company has borrowed against its working capital, it will have to deposit a certain percentage of that according to this proposal. Then it will have to borrow more from the banking system.

Therefore, to that extent stringency in the banking system will be accentuated by these proposals. Instead of achieving his desire to help the monetary stringency in the banking system these proposals will only accentuate it. I am sure he will consider this aspect much more than looking at it from the point of view he mentioned. He mentioned the other day in his speech that he wants to avoid people buying a mill, a tea estate and so on. May be, there may be one or two examples like that. But there are 30,000 companies in this country. If everyone is to be brought in because of a few people who may have indulged in methods which, according to him, are not proper, then it is going to be a very great hardship to these different companies. I am only trying to bring to his notice that the monetary stringency in the banking system will be further accentuated by these proposals.

Let me point out to him regarding the proposals in Finance (No. 2) Bill that by these proposals the financial stringency will be further accentuated. There is the increase in stamp duty. The Finance Minister himself said:

> "The demand for funds has continued unabated and the resources of the banking system are fully strained. The Government is anxious to ensure that the legitimate needs of trade and industry do not suffer on account of the present tightness in the money market."

As I said, these proposals also will have the effect of accentuating rather than relieving the monetary stringency. The stamp duty has been increased from 15 annas per Rs. 1,000 to rates ranging upto as much as Rs. 10 per Rs. 1,000 and even more.

Shri T. T. Krishnamachari: It cannot be more.

Shri Tulsidas: I would draw the attention of this House that the increased duty of Rs. 2|8|- per thousand on short-term bills will tantamount to an increased in the bill rate by one per cent. so that the actual effective bill rate payable by the banking system in respect of usance bill will not be the bank's bill rate but one per cent above the bank's bill rate. Today the Reserve Bank is discounting bank's bills at $3\frac{1}{2}$ per cent or $3\frac{3}{4}$ per cent, whatever it is. Because of these stamp duties, the banks will have to pay one per cent more, and it comes to the extent of about Rs. 50 lakhs or Rs. 60 lakhs, because bills are re-discounted by the Reserve Bank to the extent of about Rs. 50 lakhs or Rs. 60 lakhs per year.

Shri T. T. Krishnamachari: I am afraid the hon. Member's information is not correct.

Shri Tulsidas: I will like to him to point out to me the fact, if I am not correct, when he replies to me. Is it not a fact that this will increase the rate to one per cent on the part of the banks? If that is not so, let him say that it is not so.

Shri N. C. Chatterjee: He would not tell you; he is afraid of you.

Shri Tulsidas: Now, my time is up, and so I come to the indirect taxation, namely, excise and customs duties. The hon. Finance Minister said that he has enhanced these duties only in the case of luxuries. I feel that they are not all luxury goods. I would like to point out that all those items classified by him are not luxuries. I would ask him to say whether most of them are articles of necessity or not. Sewing-machines, buttons, dry fruits, etc., are all necessaries of life. Glucose has been included, though it is a medicine that is largely used by the people. Take, for instance, the producer goods, such as dyes, hardware, tools and machinery. You call them luxuries. Hardware is a necessary of life. What I want to point out is, if the production of these articles in the country is quite enough, then, the increase in tax will not affect the cost of living of the normal users of these goods. But, as it is, this increase in the customs duties as well as in the excise duties is bound to increase the living costs of the people as far as the items, which I have mentioned, are concerned.

[Shri Tulsidas]

I have a number of points and a number of suggestions, but I do not wish to go into the details, because I have already tabled certain amendments, and I will certainly speak at the time of the clause-by-clause consideration. But I do want the hon. Minister to consider that when he is trying to get the deposits, he will also have to consider whether banks, insurance companies and other bodies who have no fixed assets will also be required to deposits, in which case the effect will be a much more stringent one in the monetary sector. The monetary sector has been found to be much more stringent already because, as I pointed out, the Government themselves have been responsible for it. It is because of the doings of the Government themselves. They have already imported much, and the foreign exchange position is worse, and only Rs. 200 crores remain as the balance of payment position in the country. To that extent, money has been withdrawn from the banking and monetary sector. Money is not coming in the monetary sector. The money which has come down is from outside the organised sector. It is in the sector where there is inflation. I would like the hon. Minister to examine this, and I would like him to let me know whether this is not going to affect the monetary sector in this respect.

I have put down the amendment, proposing that the Bill be referred to the Select Committee. I have got most of the Members, who spoke on this Bill, to support me. I am sure that even the hon. Finance Minister would have supported me and my points of view if he was not a Finance Minister today. He would than have told me, "Quite right; amendments of a permanent nature should not be brought in as a Finance Bill".

As I pointed out, this is not an emergency measure. This can be discussed in the Select Committee, and Heavens would not fall if this Bill is not pass today. The Minister himself has given an indication of his mind today. This tax is going to be levied only 1957-58. So, certainly, the Select Committee could go into it, and report to this House within a few days. Therefore, I once again request him not to oppose my request for referring the Bill to the Select Committee. If he wants to oppose my point regarding Section 8 which is really a taxation measure, he can certainly do so, but there are other sections which are really by way of amendments of a permanent nature. I would request him to create a healhy atmosphere and a healthy convention in this House and not to rush up legislation in the manner in which he is trying to do. I only hope that he will consider this aspect, and since he has already had experience in the Commerce and Industry Ministry where he has understood the needs and necessities, the need for increase in production, and so on, I hope he will not just brush aside this request of mine.

Shri G. D. Somani (Nagpur—Pali): Mr. Chairman, Sir, we had just now a very interesting discussion about the constitutional aspect of the two Finance Bills which are under discussion in the House at present. I am afraid I do not quite fully subscribe to the views expressed by my friend Shri Tulsidas so far as the emergent nature of the Finance Bills is concerned. I am not examining this question from the point of view of the Constitution. Technically and legally, the question that we discussed may be right, but I for one am in agreement with the fact the firm determination which the Finance Minister has shown in tapping all possible sources to augment the resources is really something which cannot be taken exception to.

So fas as the proposals under consider are concerned, one may or may not agree with them, and I certainly have my views to criticise some of the proposals, the implication of which may not be conducive to the economic development of the country. But I am not opposed to a resort to an emergency measure to create resources for the implementation of the second Five Year Plan. Indeed, I endorse every word of the Finance Minister in the concluding portion of his statement where he said that the second Five Year Plan is a challenge and that the challenge should be met with all our resources and with all the ingenuity at our command. I agree that if this spirit of firm determination permeates all sections of our people, and if it creates constructive enthusiasm for all-round efforts in the country, then alone the gigantic work of the present Five Year Plan and the succeeding Plans can be fulfilled in the period stipulated.

I also agree with the views of the Finance Minister that nothing should be done to advocate that the Plan period should be extended or a kind of scepticism be created about the resources. Indeed, I think it is the patriotic duty of every section of our country to make determined efforts for the fulfilment of the Plan on which the entire future of the country depends and for which the country has to make the necessary sacrifices and the necessary efforts, the magnitude of which must be such as to fulfil the targets of the Plan. It is, therefore, from the point of view of economic development which should be undertaken as fast as possible, that I have ventured to express the view that we are not opposed to the principle of resorting to any sort of emergency measures which have been sought to be incorporated in these Bills. I do also maintain that those proposals came as a complete surprise to the business world. The Bills were not even put on the Order Paper of the House for the day and the proposals are such that they touch almost every section of taxation—income-tax, super-tax, excise and customs duties. The proposals, therefore, constitute more or less a full-fledged regular budget. So far as the primary objective of finding resources for the plan are concerned, I have no quarrel with the Finance Minister in bringing forward such supplementary proposals and resorting to such raising of additional resources which can be done without detriment to the smooth functioning of our national economy.

14 hrs.

The hon. Finance Minister said that his purpose in putting forward these proposals are simultaneously to find finances for the second Plan, limit the need for deficit financing, save foreign exchange, restrain non-priority spending and act as a corrective to inequalities in income and wealth. These are all quite good objectives. But one thing on which proper emphasis has not been laid is about the utmost need to increase production all-round, both in the agricultural sector and in the industrial sector. In my view, the solution of all our evils and problems lies in an all-round increase of production. It is from the point of view of the repercussions which some of the proposals of the Finance Minister will have on the productive effort of the nation that I would like to examine the implications of a few of the proposals which he has put forward

We have been told about the seriousness of the foreign exchange position. It indicates that every possible effort has to be made to reduce imports and to promote exports. We have been told about the inflationary character of the present prices. That again indicates the imperative need to increase the production of consumer goods, which alone will allow the Government to resort to deficit financing to the extent contemplated in the Plan which will assist the fulfilment of the objectives of the Plan and at the same time keep the prices under a healthy check. The over-all question of finding additional employment or raising the standard of living of the people and the fulfilment of the objectives of the Plan lies, in my opinion, in an all-round effort to increase the production both in the agricultural as well as in the industrial sectors. It is not relevant for my purpose at present to go into details about agricultural production, but I would like to say something about the repercussions of these proposals on industrial production.

I would give one or two examples to stress the need for making the utmost effort to reduce imports and pro-

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mote exports. Let us take the example of the textile industry. The hon. Finance Minister imposed a heavy excise duty in the last Budget Session, by which the Central exchequer would be able to raise an additional huge sum of Rs. 35 crores per year from the cotton textile industry. What is the position of this excise duty? As a result of the excise duties, the prices have fallen a lot and the mill industry at present is bearing the full impact of the additional excise duty. The godowns of the mills are at present packed up with stocks of cloth. I think we are having a record stock of more than five lakh bales, sold as well as unsold, lying with the mills for being cleared. How long can these conditions continue? If the entire impact of the additional excise duty is to be borne by the industry, ultimately it means that the production will be adversely affected, because by the hundred per cent. impact of these excise duties, only will the so-called high profits of the textile industry be wiped out, but many of the mills will simply be forced to work on losses. After all, this additional amount of Rs. 35 crores is something more than the entire profits which the textile industry has been making. The Reserve Bank statistics show that the quantum of profits of the textile industry has been almost the lowest compared to the various other industries and also compared to the profits of various other industries in other countries. My submission is this. On the one hand, the Government do not allow the expansion of the industry and thereby help in creating scarcity conditions. Then, when there is a rise in prices, they come down with a heavy excise duty. I think it is a vicious circle. The production may be adversely affected and ultimately there may be a rise in prices again. Therefore, we are in the midst of a vicious circle.

The hon. Minister, when he was in charge of the Industries portfolio, had announced a scheme for the installation of automatic looms in the textile industry mainly to promote exports. That scheme was announced, I think, at the end of last year. It was intended that this scheme should come into effect almost immediately and that the installation of these automatic looms should be completed within 9 months or a year of their announcement. Already a year has passed and so far as I am aware, we are still far from the scheme being implemented. Certain licences, of course, have been issued. But, in view of the rigid conditions which were imposed for the installation of these looms, many of the major textile units did not come forward to avail themselves of the offer. I am afraid that it will take an unduly long time before this scheme is ultimately implemented and production starts.

I may also give the instance of the cement industry. We are having imports of considerable quantities of cement at terribly high prices; we pay very valuable foreign exchange for it. The other day, the hon. Minister of Heavy Industries informed the House that licences for 33 additional units or expansion of the existing units were granted, which would take the productive capacity of the industry to something like 15 million tons. We are producing at present about 5 million tons. This is all for the good. Of course, nobody is in a better position than the Finance Minister to know how the schemes are implemented. May I ask him whether the schemes for which 33 licences have been granted are going to be implemented within 18 to 24 months? Have the industries got the necessary resources? My complaint to the Minister is that while Government are over-anxious to find all possible resources for the implementation of the projects in the public sector, so far as the resources for the private sector are concerned, neither the Planning Commission nor the Government have made any exhaustive review or enquiry about the needs to find the resources. I am in a position to assure the hon. Finance Minister that, if his Ministry takes the necessary steps to make the resources available, this difficult question of foreign exchange can be solved to a substantial extent by the private enterprise. After all, the industrial production is controlled mostly by the private enterprise. There are still plenty of avenues lying untapped and it is possible for the private enterprise to increase the production all round to such an extent that it will lead to an all-round curtailment of our imports and all-round promotion of our exports. But the difficulty is this. It is not enough simply to give the licences. Licences for 2 million spindles were given about three years ago, but they did not materialise. Only a fraction of it materialised and ultimately the Government had to cancel the licences and make further licences. The mere fact that licences are given either for automatic looms or for the expansion of the cement industry does not in any way indicate that the production will go up. My point is that if the Government are really serious in finding a satisfactory solution to this difficult problem of foreign exchange, I make bold to say that you should make available the necessary resources to those to whom you have granted licences.

Shri T. T. Krishnamachari: You are not ruled out.

Shri G. D. Somani: It is very easy to establish a new cement unit within 18 to 24 months. It is very easy to instal automatic looms which the hon. Minister offered a year ago and which is still hanging in the balance for a year or 18 months. All these schemes are in the melting pot. All these paper schemes are not going to materialise to a major extent unless the question of resources for the private sector is properly handled. I would like to submit to the hon. Finance Minister the desirability of appointing a small committee either by the Government or by the Planning Commission to examine this very vital question of making resources available to the private sector to enable them to implement the responsibility that has been assigned to them under the Second Plan. After all, why is the necessity of the public sector alone taken into consideration? I want to make it clear that I am not opposed at all to the extension of the public sector. That is necessary. There are fields where private enterprise will not be able to do anything. Therefore, in the interests of the country, it is necessary that the public sector must expand. The hon. Finance Minister has shown a firm determination ever since he took charge of his portfolio to find resources for the public sector. Similarly, I think it is the responsibility of the Ministry of Finance to ensure the finances for the private sector also which will be in the national interest.

Shri Bhagwat Jha Azad: Kindly show your hidden gold treasure.

Shri G. D. Somani: I don't mind these additional taxes which are necessary and which are, of course, sought to be imposed on those who have got the capacity to pay. But, the position, as I have explained from the beginning is, the repercussions of these measures will be to retard the development of production which alone will solve our problem. It is, therefore, from the point of view of doing everything possible to assist an increase in the production of the industrial sector that I would like the Ministry of Finance to examine some of the reactions which have followed the introduction of these measures. Look at the reaction of the stock exchange. I hope the hon. Minister must have received telegrams from the stock exchanges and shareholders' associations how the investors' confidence has simply been shaken by these measures which have been announced. There has been almost a crash in the stock exchange. Certainly, the stock exchange is the barometer of all the economic activity. If Government will not view with concern any debacle in the stock exchange, naturally it means that capital formation is retarded and private enterprise will not be able to look to the money market for necessary resources for increasing the productive capacity of the country.

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I can appreciate the point of view of the hon. Finance Minister in putting restrictions on the distribution of dividends, thereby increasing the resources with the corporate sector. In the first place, this very measure closes the door of the private sector to tap any money from the investors, from the market. To that extent, the resources of the corporate sector have been adversely affected. The hon. Finance Minister, this morning, again referred to his consequential action of taking these compulsory deposits. Here, I would like to make a few observations drawing his attention to the great difficulties with which the corporate sector will be faced if the proposals, as they are, are implemented. It has been estimated by a correspondent in the Statement that something like Rs. 35 crores will be necessary to be deposited under this scheme by the pricorporate sector. I wonder how this sum of Rs. 35 crores can be found in the existing conditions of monetary stringency for the private sector, to make the necessary deposit with the Government. Of course, we have been assured that so far as the administrative machinery for handling these deposits is concerned, every facility would be given and no unncessary hardship will be caused. I would like to submit for the consideration of the hon. Finance Minister whether it will not be desirable to ensure that these deposits will not be insisted from those companies which are employing their funds exactly in consonance and in conformity with the objectives of the Second Plan. I have absolutely no quarrel with the Finance Minister in ensuring that these funds will not be utilised for purposes other than planned development or that they are not in any way to be misused. Whatever restrictions are necessary to ensure the fulfilment of this objective can certainly be imposed. But, my point is, for ensuring compliance with this objective from a few companies, why should the majority of the corporate sector be subjected to such hardship and harassment, and called upon to make these deposits at a time when money conditions are so stringent. I do not know whether the hon. Finance Minister will accept any amendment to ensure the fulfilment of the objective on which we have no difference of opinion. We quite agree with the Finance Minister that the Government should have adequate powers to stop all sorts of speculative transactions or transactions of the nature of cornering shares and acquiring the assets of other existing companies. We are absolutely on common ground with the Finance Minister in ensuring compliance with this objective. But, why should the needs of the other companies which are employing their funds for the purposes of the Second Plan, according to the objective of the Government, be penalised, first to deposit their funds and then go through a lengthy and complicated process and apply for refund, etc.? I hope that so far as this aspect of compulsory deposits is concerned, Government will certainly do something to give satisfaction to the corporate sector. This step alone has caused a lot of misgiving throughout the business world. The debacle in the stock exchange has got to do much with the drastic provision of compulsory deposits. I hope it will be possible for the Finance Minister to give a satisfactory assurance so far as this aspect of compulsory deposits is concerned.

As there is no time, I shall not refer to the other points. I would again emphasise the vital role of the private sector in fulfilling the objective of the Second Plan. From that point of view, I would again urge upon the Government and the Planning Commission to go minutely into the requirements of the private sector and wherever those requirements are in conformity with the Plan, do everything possible to ensure the availability of those resources to this sector.

I would like to end with what Mr. Winston Churchill said to President Roosevelt when Britain was on the point of collapse in the Second World War. At the time when the Government of India are engaged in a total war against poverty and unemployment, I say on behalf of the business community, "give us the tools and we will finish the job."

Shri N. C. Chatterjee: Mr. Chairman, some observation fell from one of the hon. Members from the Congress benches opposite which confirmed the impression that this is also a good election strategy and that it has been timed just to make the impression that although big capitalists are making handsome contributions to the Congress election fund, still Government has got the courage to soak the rich. But, I am pointing out to the hon. Finance Minister one fact. Have these additional new taxation proposals which are brought forward, been conceived with due regard to the serious repercussions on the economy of the country? The proposals are varied and diverse. In the field of direct taxation, there is going to be a capital gains tax, of course, in a much more stringent than what a previous Finance Minister imposed on this country some years back. Then, there is the tax on dividends and upgrading of companies' super tax.

In the field of indirect taxation, a number of import and excise duties on a fairly wide range of articles will be levied. Then, an increase in stamp duties on bills of exchange, and there will be governmental control of deposits of reserves of companies. What is creating a good deal of mis-giving is this, that you are really crippling the private sector too much and placing too many handicaps on them. The Five Year Plan recognises that the private sector has got to play a very important part in the development of the national economy. Are you going to allow them to play that part? Are you not imposing too many restrictions and fetters so that it would be impossible for them to discharge their obligations? It may be good strategy to make it impossible for them to fulfil their obligations and then turn round and say the private sector has deplorably failed and therefore it should be wiped out. But is that fair? Is that the just approach, the rational approach? Is it fair to put the screw on them in this fashion and make them unsuccessful and thereby justify the expansion of the public sector? I submit that is not the proper approach.

What is depressing me is this. The Minister should know that the importance of the individual is declining as an agency for saving. Most of the savings are now to be created out of institutional agencies. You are not providing incentive for investment in fresh issues of capital. Therefore, Shri Krishnamachari's fiscal measures will have a very serious deterrent effect on capital formation in India. The result will be that our capital which is already shy, will become still more shy, and equity investment will be made very, very difficult. Even the magnitude of institutional savings is bound to decline with measures such as the nationalisation of insurance. Savings which were formerly available for invesment in the private sector cannot now be depended upon, and to that extent the gap has got to be filled by individuals. One important fact the Parliament should remember, and I submit that in all seriousness. In all economies, especially in undeveloped economies like that of India, the backbone of capital formation is the will to save and the will to invest, and the capacity to do so on the part of the common citizen. Are you not destroying that incentive? Are you not making it impossible for the common citizen to have the will to save and to invest?

You remember that when we discussed the Company law we made a difference between preference share capital and equity capital and you know that was deliberatly made because the preference share capital was more or less like a creditor who has invested some money and who was quite satisfied with the assurance of a fairly regular and decent return, but equity share capital stands on a different footing. Equity share capital goes without any return or dividend for years together. During the formative years of the company's progress they do not get anything, but

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their only incentive, their only hope is in the assurance that subject to fairly safe investment and safe management, there would be higher dividends later on, progressive dividends in future, and also an appreciation in the share capital. All that is being taken away. Do you expect that if you upset the individual investor in this manner, deprive him of the incentive, make it impossible for him to get higher dividend later on and at the same time deprive him of the benefit of future appreciation of share capital, do you ever expect that the individual citizen, the common investor would come forward in the money market and make investment in these companies?

The other thing which to some extent disturbs me is this, that you are taking away the reserves of corporate entities and you are compelling them to deposit part of it with the Central Government. I am not looking at the technical aspect of the matter. It may be that it is generally outside the purview of a fiscal measure, but Mr. Speaker has ruled and we have got to accept that ruling. But the difficulty is this, that Shri Krishnamachari will not administer this Act, nor the hon. Deputy Minister. The Act will be administered, the legislation and fiscal measures will be administered by the bureaucracy. And we know what has happened to the Company Law Administration. When the Company Law was being consolidated we put too many restrictions on the companies. A large number of restrictions, fetters and impositions were deliberately put, and we pointed this out to Shri Deshmukh. Now, you know he was a man of great experience and of great mental balance, and in spite of that he was telling us and giving an assurance on behalf of the Government that the administrative machinery would be completely modified and altered so as to ensure speedy disposal of all applications. You know you cannot have a change in the directorate, in the managing agency, you cannot have small changes in the regulations of the company without Government's prior approval. Shri Deshmukh said all that would be rendered easy and a new set-up would be brought about, but there has been a great disappointment in that respect. In spite of the Minister's promises, the actual experience of the private sector has been unfortunate.

Now, what will happen? Every company which makes a profit and has got to pay portion of the profit to the Reserve Bank, or a portion of the accumulated surplus to the Government of India, will be completely at the mercy of Government officials to get back the funds which belong to them. What is the good of Shri Krishnamachari standing up and saying in the House of the People that there will be no difficulty in returning them. It is not for him to return. It will be administered by a bureaucratic set-up, and that set-up has been disappointing in this country. Will it be workable?

You take money from a company and say: "Of course, it is your money I will hold it in trust and I will give it back if you satisfy me that it will be properly spent for genuine purposes." Who will decide it? It will be decided by a Joint Secretary or Under-Secretary or somebody in the Ministry, and God alone knows on what factors. Repeatedly the courts have said that this unfettered discretion given to executive officials to act according to their whim and pleasure is a great tyranny and is an engine of oppression. I am objecting to this continued governmental control over economic activity, and I am asking this Parliament to put a curb on it.

Liquidate the private sector if you want to socialise properly, if you believe in socialism. Do not have a socialist pattern. If you believe in your Prime Minister, your leader, remember he has said that when you allow the private sector to operate in certain spheres there should be no restrictions put, they should be allowed free and full play. Then, allow them full play. Do not subject them to this kind of bureaucratic administrative control, do not hamper the normal business activity, take away their investments from them and ask them to whine at your door when the time comes for the purpose of showing to your bureaucratic underlings that they are behaving properly. My objection is to bureaucratic delay, to this set-up, and I am submitting that in actual practice this kind of compulsory deposit with the Government will come in the way of prompt disposal of applications for release of funds and in effect this kind of administrative control will cripple the working of companies.

On one point I am happy that Shri Krishnamachari differs from Shri Deshmukh. Some of the Members of Parliament had been telling Shri Deshmukh that he was indulging in too much deficit financing and that it should be stopped, but he wanted to show that he was a great optimist, and he said: "No, this deficit financing will not create any difficulty." I am happy that Shri Krishnamachari is more objective, and he has now realised that we have got to put a stop to this kind of deficit financing. He is saying that on two grounds he is wanting this kind of fiscal exaction to be levied on the people. Firstly he says that there is an inflationary spiral which is going on, it has got to be curbed. Secondly he says that our foreign exchange gap has got to be made up. For Heaven's sake tell me is it not correct that in the recent months there has been a definite tendency that the inflationary spiral is going down? So far as my figures, the figures that I have been able to get, show, in recent months there has been a tendency just the other way about. If I am wrong I will be very happy to be corrected, but what I am told is that the almost continuous upward movement of wholesale prices during the last 15 months has been halted and a slight downward movement has been in evidence during September, 1956. If that is correct, there is no emergency, and we should not be rushed into taking this kind of measures which will impose a great burden not merely on the rich. If you tax the Tatas and Birlas and Tulsidas Kilachands and Somanis we will not mind, but do not kill the poor middle class investors. It will be a great hardship on them. It will ruin thousands of middle class families whose only savings are represented in these companies' investments.

Then, how are you going to make up this foreign exchange gap? What are you going to do to stimulate the exports? What is your concrete scheme? There, you are failing. There, India is at a disadvantage. My information from people who have just come back from their tours of South-Eastern countries is that India is losing fast her market there. And that is a very serious problem. China and Japan are both going forward. I am told, I believe my information is correct,—that during the first half of 1956, India has remained a very bad second to Japan as exporter of cloth. So, India has remained very far behind. As against Japan's export of 618 million yards during this period, India exported only 390 million yards.

Mr. Chairman: Is the hon. Member likely to take long?

Shri N. C. Chatterjee: Yes.

Mr. Chairman: The hon. Member can continue his speech next day. We shall now take up Private Members' Business.

COMMITTEE ON PRIVATE MEMBERS' BILLS AND RESOLUTIONS

SIXTY-FIFTH REPORT

Shri Ramachandra Reddi (Nellore): I beg to move:

> "That this House agrees with the Sixty-fifth Report of the Committee on Private Members' Bills and Resolutions presented to the House on the 5th December, 1956."