

FINANCE (No. 2) BILL

Mr. Deputy-Speaker: Now I will first put the motion regarding the Finance (No. 2) Bill, dispose of its clauses and then take up the Finance (No. 3) Bill.

The question is:

"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."

The motion was adopted.

Mr. Deputy-Speaker: The question is:

"That clauses 2 to 4 stand part of the Bill."

The motion was adopted.

Clauses 2 to 4 were added to the Bill.

First Schedule

Shri Tulsidas: I beg to move:

Page 3, line 3, for '20' substitute '15'.

Page 3, line 8, for 'Rs. 3 per lb' substitute 'Rs. 2 per lb.'.

Page 4, omit lines 24 to 32.

I am moving these amendments merely as token amendments.

16-51 hrs.

[**MR. SPEAKER** in the Chair]

I fully understand that the production in the country is ample, and that duties should be imposed on commodities or articles which are imported. But I would submit that the proper way to restrict imports is by import quotas. Otherwise, there will only be inflation again. I agree that import restriction is clearly indicated in the prevailing balance of payments difficulties. I fully appreciate it. But as

regards the procedure to be adopted for restricting imports, I think the proper way is to have restriction of import licences by import quotas, and not to have a mere increase in the duties, for, in my opinion, an increase in duties will accentuate the inflation, if the production is not equal to the demand in the country. That is the point that I would like my hon. friend to bear in mind. That is the reason why I have tabled these amendments.

Shri T. T. Krishnamachari: My hon. friend wants me to reduce the import duty on dyes from 20 to 15 per cent. Another hon. friend—I believe, Shri Jhunjhunwala—mentioned that the duty on dyes should be more than 20 per cent., but we cannot raise it because it is a bound item under the GATT. I believe that is what he has mentioned. I do not agree that increase in the import duty on dyes is going to lead to inflation. Assuming that a pound of dye costs Rs. 10—and that must be particularly a high-class dye such as the State Green, how is it going to increase the price of cloth? It is going to increase it by a fraction of a pie, which is the essential thing on which it will work.

The other remedy suggested by him, namely that we should restrict imports by restricting licensing is a thing which I would like to avoid, but I do not think I shall be able to avoid it; it is for my colleague the Minister of Commerce and Consumer Industries to look into; but, it is better to avoid this as much as possible and allow the price factor to operate rather than to restrict it quantitatively. Anyway, we may have to do both. But this is one of the remedies open to us. As my hon. friend here mentioned, if we could raise it beyond 20 per cent. I would have raised it. So, there is no point in my hon. friend asking me to reduce it by 5 per cent. I wish my hon. friend could tell me the economics of the reduction of the duty by 5 per cent. on a stuff which may be selling at Rs. 8 or Rs. 9, which is considerably higher than any duty I have imposed, especially when the prices go up and go down according to the nature of

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the market demand; if that is going to lead to inflation, I shall take care of that.

Mr. Speaker: Need I put the hon. Member's amendments to vote?

Shri Tulsidas: I am not pressing them.

Mr. Speaker: Since no amendment is pressed, I shall put the First Schedule to vote. It includes both Parts I and II.

The question is:

"That the First Schedule stand part of the Bill."

The motion was adopted.

The *First Schedule was added to the Bill.

Second Schedule *

Shri Tulsidas: I beg to move:

(1) Page 7—

(i) lines 19 and 20, for 'Two rupees eight annas' substitute 'Two rupees';

(ii) line 21, for 'Five rupees' substitute 'Three rupees eight annas'; and

(iii) line 23, for 'Five rupees' substitute 'Three rupees eight annas'.

(2) Page 7—

(i) lines 28 and 29, for 'Three rupees twelve annas' substitute 'Three rupees';

(ii) lines 30 and 31, for 'Seven rupees eight annas' substitute 'Five rupees'; and

(iii) lines 32 and 33, for 'Seven rupees eight annas' substitute 'Five rupees'.

(3) Page 7—

(i) line 37, for 'Five rupees' substitute 'Three rupees eight annas';

(ii) line 39, for 'Ten rupees' substitute 'Seven rupees eight annas'; and

(iii) line 41, for 'Ten rupees' substitute 'Seven rupees eight annas';

(4) Page 7—

(i) line 45, for 'Ten rupees' substitute 'Seven rupees eight annas';

(ii) line 47, for 'Twenty rupees' substitute 'Fifteen rupees'; and

(iii) line 49, for 'Twenty rupees' substitute 'Fifteen rupees'.

Mr. Speaker: These amendments are now before the House.

Shri Tulsidas: As I have already pointed out on last Friday, the increase in stamp duty on bills will impose a strain on bank finances, and make commercial credit dearer. The Reserve Bank's Bill Rediscount Scheme was introduced only a few years ago, and before the bill market has been developed on a wide scale, the stamp duty has been increased substantially. As I have pointed out already, this duty will have the effect of raising the cost of borrowing by one per cent. over the usual rates in the case of those usance bills which will have to bear a duty of Rs. 2-8-0 per Rs. 1,000. This duty will not have the effect of easing the present monetary stringency, but will actually accentuate it. The rate should be lowered in the interests of developing the bill market which is still in its infancy.

The Finance Minister said the other day that these rates were only ceilings and that he wished to fix only

*In the First Schedule, Part II, in column (2) against item No. 72(11), the words "of one" were inserted after the words "one quarter" as patent error under the direction of the Speaker.

half these rates, to begin with. He has not informed us exactly how much more money will be raised through this increase in the duty. The fact that the revenue will go to the States does not in any way alter the situation. When I estimated that the duty will yield about Rs. 50 to Rs. 60 lakhs, he said that the information was incorrect. The House has, therefore, a right to know his estimates of the yield from this duty, before it can give its decision.

With regard to the indirect way of taxation by delegated legislation, my hon. friend says that that is the way by which he is going to bring in legislation for taxation. In that case, we may as well have an omnibus type of legislation and let the Finance Minister manage the whole thing with regard to duties and everything else. In that case, why should he bring in so many Finance Bills? He says that he wants to bring in about three or four Finance Bills every year. Where is the need for so many Bills? He can just bring one omnibus Finance Bill giving an omnibus power in the hands of the Finance Minister; and Government can function within that overall and omnibus power that they would take from Parliament. I quite appreciate the point of view which my hon. friend has put forward, namely that if he is given a little more power, he can reduce or increase the taxes.

But, you, Sir, have been a Member of the Committee on Subordinate Legislation and I also happen to be a Member on that Committee, for the last four years, and you know very well how we have been looking at this question of taxation by delegated legislation. In that committee, we have been looking into the question whether the powers exercised by the executive come within the powers given to Government. Here of course, the whole thing will be within the powers given to them. But I do not think that is the way in which taxation proposals should be brought forward, that is, by having an omni-

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bus power to increase or reduce the duty subject to a ceiling rate.

I am sorry to say that in the parliamentary democracy that we have, my hon. friend is treating this House, if I may say so, in a most insolent and high-handed manner. That is what I feel.

Shri T. T. Krishnamachari: My hon. friend, if I may be pardoned to say so, is fully conversant with the money market, and he himself is, I think, associated with a big bank.

As I said, this is only a fiscal measure with a main monetary intent. Just before you, Mr. Speaker, returned to the Chair, I was telling the Members of the House that I may try to bring it down to one anna instead of one rupee; or, instead of one per cent, it may have to be 1/16th per cent., or it might probably go up or come lower down. The point really is that this question of interest rates is a very tricky thing. My hon. friend asked what the revenue was going to be. I say that revenue is not my main consideration, and what revenue I may get will be in the nature of bills that are offered, which will be ultimately discounted by the Reserve Bank. Now, why is the bill market operating? My hon. friend knows it. Normally, what does he do? Except in the case of what is called *Multani* bills or *hundis* which are discounted in a bank, normally these banks give cash credit and overdraft, and that overdraft is covered by a promissory note. But whenever they feel that they have to discount the bill, they ask the parties to make a bill. They take it to the Reserve Bank. The Reserve Bank discounts it at the bank rate of interest which is 3½ per cent. today, which was 3-1/4 per cent. a few days back.

17 hrs.

Now, we find that the rate of money supply has got to be considerably increased. It may be Rs. 100 crores or

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Rs. 120 crores. We do not know what the nature of it will be. The crops are very good. The amount of money that we will have to generate this way by issuing bills will be greater. Then the income will be greater. Bombay, Calcutta and perhaps a bit of UP and Madras will get it. If the demand is great, the duty will not be a bar. I cannot reduce it because we want the bill market to develop. This is a case which is not really a taxation measure *per se*.

But the alternative, if you raise the Bill rate, is that there are a number of other factors affected. My borrowing rate is affected. General interest rates in the country are affected. So we want to localise the trouble. If my advisers advise me that this will not help, if they say that this is a hinderance, I will lower the duty. But what is the object of my hon. friend in telling me that I should reduce the duty by half or quarter? He says, just lower it by 25 per cent. I think my hon. friend has not taken cognisance of the fact that the ceiling is not a ceiling, unless it be that circumstances are such that we have to expand the bill market by another Rs. 200 crores. There must be some check in our normal business.

The other factor is this. If I raise the bank rate, what happens? It now stands at $3\frac{1}{2}$ per cent. My hon. friend, who is Chairman of a Bank, says now: 2 per cent. above the bank rate but not less than 6 per cent. Next day he will say, 2 per cent above the bank rate but not less than 7 per cent. The thing is that if I raise it by half a rupee or half per cent., he will get the full benefit. I do not want him to do it. I want to have a little check on people coming in when I am expanding. I do not want them to take the entire amount, merely because the Reserve Bank for banking or extra-banking considerations has got to stick to a course. It might change tomorrow. I do not want the benefit to go to somebody else.

Secondly, I want it to act as a limiting factor when there is a very big expansion, more than what is necessary. This is a matter of technique. It is not really a taxation measure; that is secondary. I must be free to apply it. It is not a delegated legislation in the sense of a tax legislation and I will lower it or raise it. This is a matter of financial technique, which my hon. friend knows.

Therefore, I see no point in my reducing it by 25 per cent. Either we keep it or we do not have it. If my hon. friend says that the Bank of Baroda will not make half per cent. more than it does, I can understand it. But I cannot understand his trying to see that a little bit is reduced, when the whole thing is going.

Mr. Speaker: The question is:

Page 7—

(i) lines 19 and 20—

for "Two rupees eight annas"
substitute "Two rupees";

(ii) line 21—

for "Five rupees"

substitute "Three rupees eight annas"; and

(iii) line 23 —

for "Five rupees" substitute

"Three rupees eight annas".

The motion was negatived.

Mr. Speaker: The question is:

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for "Three rupees twelve annas"
substitute "Three rupees";

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for "Seven rupees eight annas"
substitute "Five rupees"; and

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The motion was negatived.

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for "Ten rupees" substitute
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The motion was negatived

Mr. Speaker: The question is:

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"Seven rupees eight annas";

(ii) line 47—

for "Twenty rupees" substitute
"Fifteen rupees"; and

(iii) line 49—

for "Twenty rupees" substitute
"Fifteen rupees".

The motion was negatived

Mr. Speaker: The question is:

"That the *Second Schedule stands part of the Bill".

The motion was adopted.

The Second Schedule was added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

Shri T. T. Krishnamachari: I beg to move:

"That the Bill be passed".

Mr. Speaker: The question is:

"That the Bill be passed".

The motion was adopted.

FINANCE (NO. 3) BILL

Mr. Speaker: Now I shall take up Finance (No. 3) Bill. There is an amendment for reference of the Bill to a Select Committee. Shall I put it to vote?

Shri Tulsidas (Mehsana West): The Finance Minister is not going to accept it. Anyway it may be put to vote.

Mr. Speaker: The question is:

"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. 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 Jhe '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".

The motion was negatived.

Mr. Speaker: The question is:

"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".

The motion was adopted.

*In the Second Schedule, item (b) (i) "Rs. 500" was substituted for "five hundred" as patent error under the direction of the Speaker.