

from and out of the Consolidated Fund of India for the services of the financial year 1961-62."

*The motion was adopted.*

**Shri Morarji Desai:** I introduce the Bill.

17.03 hrs.

#### FINANCE BILL, 1961

**Mr. Speaker:** The House will now take up the Finance Bill.

**Shri Prabhat Kar (Hooghly):** May I suggest that the Finance Bill be taken up tomorrow?

**The Minister of Finance (Shri Morarji Desai):** I will make my speech.

**Mr. Speaker:** Let the hon. Minister Start.

**Shri Morarji Desai:** I beg to move\*:

"That the Bill to give effect to financial proposals of the Central Government for the financial year 1961-62 be taken into consideration."

The Bill has been before the House for over a month and a half during which period there have been comments on the provisions of the Bill both inside the House as well as from the members of the public.

The House will recollect that in the field of Union excises my proposals cover both adjustment of the existing rates as well as levy of excise duties on certain new commodities. Taking into account the views expressed during the general discussions in the Parliament and the criticism received from the trade and the members of the public and considering the difficulties brought to my notice, I announced certain concessions while replying to the general discussion in this House on the 17th March. Since

then I and my officers have had further discussions with the representatives of the trade. I have also had the benefit of receiving suggestions from some of the hon. Members of Parliament, who wrote to me or met me with particular reference to certain sectors of the industry which, they felt, had been adversely affected by the budget proposals.

I have carefully considered the views expressed and the suggestions received from all these quarters. I am afraid, and I hope the House will agree with me, that in view of the urgency for raising further resources for the Third Plan, I am hardly in a position to make any radical modifications in the proposals besides the exemptions and concessions which I have already expressed in this House. However, as a result of the detailed studies, which it is not always practicable to have when the budget proposals are being formulated, I find that there is some scope for making adjustments which will help in removing genuine hardship without at the same time sacrificing substantial amount of revenue. With your permission, Sir, I shall briefly discuss the steps which I propose in this direction.

While speaking before this House on the 17th March, I expressed my intention to reduce the effective incidence of the increase in the excise duty on kerosene other than inferior by 50 per cent. I have since taken steps to prescribe suitable tests for inferior kerosene so as to facilitate assessment at the lower rate. This will also facilitate import of more inferior kerosene. Steps are being taken to encourage this as replacement of superior kerosene by inferior kerosene means saving in foreign exchange. I expect that before long inferior kerosene will be available in adequate quantities throughout the country. This will help the average

\*Moved with the recommendations of the President.

consumer, particularly in the rural areas, to purchase his requirement of inferior kerosene at the same price at which he was purchasing it before the announcement of the budget proposals.

I had also informed this House of my intention to consider giving relief to inferior coffee if suitable measures could be devised to distinguish such coffee and to avoid evasion. I have since been advised that it would be possible to distinguish inferior varieties of coffee from plantation or arabica coffee and that the evasion of revenue, if at all, will be negligible. Accordingly, I propose to give relief by reducing the duty on robusta and liberia varieties of coffee to the original level of Rs. 41:35 per quintal—that is the extra duty has been removed.

It has been represented to me that the concession I announced on the 17th March in respect of powerloom units having 3 or 4 looms is not adequate and that self employed weavers working in small units with 3 or 4 looms are finding it hard to retain their position. They deserve assistance and I accordingly propose to give complete exemption to all powerlooms units with 3 or 4 looms manufacturing cotton, rayon or silk fabrics provided they work only one shift. I also propose to extend the same benefit to powerlooms units manufacturing woollen fabrics if the number of looms engaged does not exceed two and the unit works only one shift a day.

The textile industry has been greatly concerned over the new levy on fabrics produced on automatic looms. The proposal to have a higher rate of duty for such fabrics has been primarily formulated with a view to export-promotion. After taking into consideration the extent to which export of fabrics produced on automatic looms can be stepped up under the present circumstances, I propose to withdraw this surcharge in respect of 70 per cent of the production and link up the duty on the balance with exports, so that the surcharge will be

actually payable only on the quantity by which the exports made by a manufacturer during any half year fall short of 30 per cent of the fabrics produced by him on automatic looms during the same period.

Further, to simplify collection of duty on cotton yarn woven into fabric by composite mills, I have agreed to introduce a compounded system of levy by which the manufacturers would be enabled to pay the duty on yarn together with the existing duty on fabrics, at the rate of 1-2 nP. per sq. metre of the fabrics produced. As already announced, for the benefit of the handloom industry, cotton yarn of count up to 40 if issued in hanks, has been exempted from duty.

Certain difficulties regarding the new excise duty on woollen year have also been brought to my notice. To remove the day-to-day difficulties that had to be faced in making ad valorem assessments I propose to give compounding facilities and make provision for alternative specific rates of duty for all woollen yarn. For worsted yarn the specific rate will be Rs. 2.10 per Kg. if the yarn is of 60% and above and Rs. 1.60 per Kg. if the yarn is below 6%. For other than worsted yarn I propose to fix the rate at 40 nP per Kg. While the average incidence of these will be slightly lower than that on the basis of all the ad valorem rates, it will also eliminate administrative difficulties and make the control simpler for the industry.

The House will recall that simultaneously with my budget proposals small manufacturers of glass and glass-ware and chinaware and porcelain-ware employing not more than five workers were given exemption from duty. It is been represented that this concession does not go far enough to meet the needs of the genuine cottage units which, due to many factors, have sometimes to employ more than five workers. In consideration of the genuine difficulties of the cottage sector, I propose

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to extend the exemption to all manufacturers of glass and glassware who do not employ more than 20 workers, do not use power and use only broken or waste glass as raw material. Similar concessions will also be extended to manufacturers of chinaware and porcelain-ware who do not employ more than 15 workers. Similarly, in the case of small manufacturers of cosmetics and toilet preparations I propose to increase the limit of concession already given from 50 Kgs. per month to 75 Kgs. per month. I hope the House will agree that these concessions are necessary and adequate to ensure protection to the small-scale and cottage sectors.

The levy of excise duty on copper and copper alloys has created a problem for a number of small utensil manufacturers who get their metal sheets rolled by rolling units. One of their main grievances was that, unlike the regular manufacturing units, they have to pay full duty on untrimmed sheets, a part of which is left as scrap and is remelted. I have gone into their point of view and propose to exempt by 25 per cent duty chargeable on copper and brass sheets, circles etc. which are issued out from a rolling mill without trimming and cutting. Corresponding concession in case of bronze sheets and circles will be 20 per cent. Exemption is also being given in respect of strips of copper and copper alloys used for making zari, stars and spangles. Further, strips and foils recovered from scraps of copper alloys and used in making anklets, trinkets etc. used by the poorer people as ornaments are also being exempted from duty.

The House will recall the clarification I gave in respect of plastic and glassware that duty will be charged at one stage only. I have since given similar clarification in case of the manufacturers of dyes whereby duty will be charged only at one stage. The manufacturers of patent or proprietary medicines presented a special

problem regarding the issue of free samples. In consideration of the established practice of the trade, I have agreed to allow duty free clearance of clinical samples only which are issued for laboratories, hospitals etc up to a maximum limit of 5 per cent of the total duty paid clearance provided the manufacturer shall observe certain necessary safeguards. Plastic moulding powders manufactured from scraps of plastics are also being exempted from duty.

Clarification is being issued that refrigerators used for cold storage depots etc. for preservation of food will not be subject to duty. I am exempting from duty air conditioning machinery employed not for comfort but for preservation of food. I have also agreed to allow adjustment of countervailing duty paid at the time of import of compressors when used in refrigerators produced in the country.

One of the proposals of the customs side in the Finance Bill is to increase the customs duty on "textile manufactures not otherwise specified" from 50 per cent to 100 per cent. Representations have been received that nylon twine which is imported by fishermen and their co-operative societies for the manufacture of fishing nets is being assessed under this item, and has been affected by the increase in duty. This was not intended. In order to avoid hardship to the fishermen and to see that the fishing industry is not adversely affected, I have decided to maintain the duty on nylon twine imported for the manufacture of fishing nets at 50 per cent *ad valorem* in those cases in which import licences are issued on the recommendations of State Directors of Fisheries. The change is being given immediate effect by a notification.

As part of the Budget proposals, the rate of customs duty on newsprint, unglazed or machine finished, imported in reels, was enhanced from Rs. 3-10

per quintal to Rs. 7.50 per quintal and that on newsprint, other sorts, imported in reels, from Rs. 3.60 per quintal to Rs. 9.0 per quintal. It has been represented that the newspaper industry would find it difficult to bear this additional burden. I, therefore, propose to give some relief by reducing the rate of duty on the former category of newsprint to Rs. 5 per quintal and that on the latter to Rs. 5.50 per quintal. These reduced rates of duty are considerably lower than the rates originally proposed and it should not be difficult for the industry to absorb the small increase. Many small newspapers make use of newsprint in sheets, on which the duty was raised from Rs. 5.10 per quintal to Rs. 10.30 per quintal. I propose to reduce the duty on this category of printing paper to the pre-budget level of Rs. 4.10 per quintal. These changes are being given immediate effect by a notification.

Along with the increase in excise on rayon yarn, the customs duty was also increased by notification within the statutory limit so as to include the countervailing duty. It was represented to us that a part of the excise duty (to the extent of the increase made in 1959) had already been absorbed in the level of customs duty before the budget, and that this fact should be allowed for while adding on the countervailing duty. We have accepted this plea, and suitably reduced the effective rates of customs duty. The reduction is to the extent of 65 nP. per kilogram for yarn of below 75 deniers, and correspondingly less for other varieties.

It is also considered desirable to make a few changes in some provisions of the Bill primarily to clarify the exact scope of certain items. For example, although Cellophane is recognised as a trade name and also finds a mention in standard dictionaries, it still remains a proprietary name and as such to remove any doubt that may occur it is necessary to add a suitable clarification to the relevant clause. Similarly, it is necessary to explain what is meant by China-

ware so as to remove all doubts about the scope of this item. Again under entry No. 84 of List I, Seventh Schedule (read with article 288 of the Constitution, the excise duty, if any, on medicinal and toilet preparations containing alcohol, opium, Indian hemp or a narcotic drug or narcotic accures to the States and has also to be collected by them. As such it is necessary to suitably amend clause 13(g) of the Finance Bill so as to exclude these preparations from being subjected to duty under the Central Excises and Salt Act.

A notice is being given of the necessary amendments to the Bill.

In the field of direct taxes, I am glad to note that, by and large, the proposals contained in the Finance Bill have been favourably received though there have been a few suggestions for some amendments. I have carefully considered these suggestions. While it is not possible to accept all the suggestions made, I propose to make a few amendments to the existing provisions of the Bill relating to income-tax and super-tax. A notice has separately been given to the House for moving these amendments.

My first proposal relates to a further simplification in the tax-structure applicable to foreign companies. Hon'ble Members will have noticed that, according to the provisions contained in the Finance Bill, dividends received by a foreign company from a non-subsidiary Indian company formed after 31st March 1959 and before 1st April 1961 are taxable at 53 per cent while dividends received from such an Indian company formed on or after 1st April, 1961 are taxable at 40 per cent. It is proposed that the rate applicable to the dividends of both these categories may be fixed at 40 per cent which is also the rate applicable to such dividends received by most of the Indian companies. The revenue effect of this proposal is not likely to be of any substantial order.

Sir, one of the proposals which has given rise to some comment is the

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proposal to restrict the allowance of entertainment expenditure in computing the taxable income from business. A point has been made that the proposal completely disallowing such expenditure in the case of non-company assesseees will cause hardship, while in the case of companies it has been suggested that the limits prescribed may be liberalised in certain directions. I have carefully considered the whole matter. While I do not see adequate justification for making any change in the limits specified for this purpose in the case of companies, I appreciate that the proposal in respect of non-company assesseees may lead to genuine hardship in some cases. I am, therefore, proposing to make an amendment so that in the case of non-company assesseees, the *status quo* may continue.

Hon. Members are aware that the Finance Bill contains a proposal to allow initial depreciation for houses built by employers for the residence of low-paid employees. I propose to extend the scope of this concession so as to apply to buildings which are constructed to meet the welfare requirements of such employees, such as, hospitals, schools, canteens, libraries, etc.

Some other amendments of a clarificatory or verbal nature have also been proposed but I do not wish to take the time of the House in explaining the same here as they are of a minor nature. Before I conclude my remarks in regard to direct taxes, I would like to add that I have carefully considered the criticism that the tax on bonus shares, particularly on bonus shares issued out of share premium amounts, should be abolished but I do not see any justification for the same. Similarly, I am also unable to accept the suggestion that the reduction of the tax rate from 63 per cent to 50 per cent in the case of royalties paid to foreign companies should apply to all payments of royalties whether they are in pursuance of agreements entered into before after 1st April 1961.

The net effect of all these concessions including those announced on the 17th March will be a revenue loss of Rs. 6.14 crores in a full year. A part of this will be balanced by a higher yield from some of the new Excises than it was possible to estimate at the time of presenting the budget.

Mr. Speaker: Motion moved:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1961-62, be taken into consideration."

There are still forty minutes left. Shri Vittal Rao had given notice that he would raise a few points tomorrow on the Appropriation Bill, and that may take about fifteen to twenty minutes. I shall give opportunity to those hon. Members who wish to speak now. Let us sit till six o'clock. If any hon. Member from the Opposition wants to speak, I shall allow.

We have been spending a lot of time on the Railway Budget, the General Discussion on the General Budget and the Demands for Grants of the various Ministries. Those hon. Members who have not had an opportunity to speak on the President's Address, and the Railway and General Budgets will have preference over all others. In view of what is going to happen in 1962, I am going to give opportunities to all Members to have their say, before they leave the House and come back to the next House.

Shri Prabhat Kar: The hon. Finance Minister has made a speech in the course of which he has given so many concessions. It is as important as his Budget speech. It is very necessary that we get a copy of the speech. Therefore my suggestion is that the speech may be circulated to all Members and tomorrow we may start discussion on it.

Mr. Speaker: Whoever is called now and is not going to speak will not be

called tomorrow. As in the case of the General Discussion on the Budget they can cover the ground from China to Peru. I am not going to guarantee any hon. Member being called at all or called tomorrow. Shri Sarhadi.

Shri Ajit Singh Sarhadi (Ludhiana): Mr. Speaker, Sir, the main point of my speech on this Bill pertains to the agricultural sector. I have been always submitting—as today the hon. the Finance Minister also made a reference—in planning we must see that not only are there no regional disparities, but that there is equitable distribution of income. In this connection, I am afraid we are not even fair to the agricultural sector. My respectful submission in this connection is that when we started with the First Five Year Plan, the disparities between the agricultural labourer and the agricultural farmer, on one side and also industrial labourer and industrial producer on the other side was much. When we compare the figures of the First Plan and the Second Plan, we find that this disparity, rather than lessening, has been accentuated. The figures, we find, were Rs 200 per capita in regard to the agricultural worker and Rs. 300 in regard to the industrial worker. So, the disparity was, again, Rs. 100.

After the end of the Second Plan we find that this disparity has been further accentuated, because whereas the income of the industrial worker has increased by Rs. 18 per capita, that of the agricultural worker has increased only by Rs. 8. Therefore, my respectful submission is that the disparity between the two sectors has been accentuated, and we have to see how in the Third Plan we can meet the situation.

My submission is this. We are not laying sufficient emphasis on agriculture. Of course, we had certainly laid some emphasis on agriculture in the First Plan. But in the Second Plan our emphasis was more on industry. So this emphasis, which is necessary, on agriculture which is the foundation of industrial prosperity is not there.

We had a discussion on agriculture for the past two days. If we look at the figures of production of the agricultural produce, of which the basic year may be taken as 1949-51 with a total production of 57.9 million tons, and if we look at the figures for the later years, of course we will find that in the year 1958-59 we have reached a figure of 73 million tons, which increase is because of the bumper crop. But if you analyse the figures of the past ten years, you will find that the average increase in the agricultural produce has not been more than 4 million tons. Therefore, my respectful submission is that the emphasis which is necessary on the agricultural sector is not there. We might have had in certain years more than 10 million tons, and we may be targeting in the Third Plan that we would be able to reach 100 million tons. But we have not had that appreciable increase which we postulated, and which we want, especially when we bear in mind that agriculture should constitute the foundation of planning.

In this connection we have to see whether the machinery, the administrative set-up, in relation to the planning of the agricultural sector is geared up to that position and status which is necessary for proper planning. I would like to refer here to the fact that about three years back, in 1958, we had constituted a committee which was known as the Nalagarh Committee. That Committee had made certain recommendations, and the emphasis in those recommendations was that the administrative set-up for the implementation of the planning in regard to agricultural production should be geared up. Those recommendations were of a very healthy nature, and I understand that they were accepted by the Planning Commission. Even circular letters were issued by the Central Ministry of Food and Agriculture to the States that the recommendations of the Nalagarh Committee should be implemented. Also, in 1959 we had a Conference of all State Ministers in relation to the gearing up

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of the administrative set-up in this respect, and that Conference also accepted certain salient recommendations of the Nalagarh Committee. But still I find that nothing has been done.

Mr. Speaker: May I suggest to the hon. the Finance Minister that inasmuch as all subjects can be referred to on the general discussion of the Finance Bill, either the Ministers themselves may be present or—they may not find time—their Deputies may be here to take note of the points. And if there are points which they have to answer, they may answer them. I will give them time That may be done from tomorrow.

The hon. Member may go on.

Shri Ajit Singh Sarhadi: Sir, I was submitting that we also had in 1959 a Conference of State Ministers of Agriculture on this subject and they also considered the recommendations of the Nalagarh Committee and they came to the conclusion that where the financial burden is not much, the recommendations should be accepted. I have not got that report with me today, nor have I got with me today the proceedings of that conference. Are we going to sit beyond 5-30 P.M. today?

Mr. Speaker: I thought that the hon. Member was concluding today.

Shri Ajit Singh Sarhadi: No, I shall take some more time tomorrow, because I have not got those relevant papers with me today to make out my points.

Mr. Speaker: I do not know. I believe hon. Members must have been prepared to sit till 6 P.M.

Shri S. M. Banerjee: Are we sitting till 6 p.m. today?

Mr. Speaker: Yes, I want to. But how can I allow the hon. Member to continue his speech, if I do not adjourn the House now?

Shri Ajit Singh Sarhadi: My submission is that I was under the impression that I would be continuing tomorrow, and that was why I started. Today, I have not got those papers and those reports with me.

Mr. Speaker: I am not prepared to show that concession. (*Interruptions*) Very well, the House will now stand adjourned and meet again at 11 A.M. tomorrow.

17.31 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Thursday, April 20, 1961|Chaitra 30, 1883 (Saka.)*