

from time to time to realise arrears and to maximise collection of revenue, including corporate taxes.

Exemption from income tax on ex-gratia payments

2589. SHRI N. GIRI PRASAD:

SHRI N. E. BALARAM:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that all the ex-gratia payments received by public sector employees on voluntary retirement scheme are exempted from payment of income tax;

(b) if so, what are the details of the notifications/circulars in this regard;

(c) whether Government are aware that certain public sector authorities such as Madras Port Trust, Vishakhapatnam Port Trust, etc. are withholding 20 to 50 per cent of such payments made to its employees opted for retirement under the scheme probably by the instructions of the Income Tax Commissioners of the concerned States; and

(d) if so, what steps are taken to see that the ex-gratia payments are not withheld for the tax purposes?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHADRASHEKHAR MURTHY): (a) and (b) Section 10(10C) of the Income-tax Act provides that any amount received by an employee of a public sector company or of any other company at the time of his voluntary retirement in accordance with any scheme or schemes of voluntary retirement drawn up by the said company is exempt from tax subject to the scheme being framed in accordance with prescribed guidelines and fulfilling other conditions specified in the section.

(c) and (d) The employees of Port Trusts retiring under the Voluntary Retirement Schemes are not covered under the existing provisions of section 10(10C) of the Act. However, the Finance Bill, 1993, seeks to extend the scope of exemption from income-tax under Section 10(10C) to employees of an authority established under a Central, State or Provincial Act or of a local authority. The payment should be in pursuance of a Voluntary Retirement Scheme conforming to the prescribed guidelines and subject to a limit of Rs. 5 lakhs in the case of each employee. The proposal is to amend the provisions with effect from assessment year 1993-94. Therefore, employees of the Port Trusts who have received any sums under a Voluntary Retirement Scheme conforming to the prescribed guidelines on or after 1.4.1992 will be eligible to claim exemption once the Finance Bill becomes an Act.

Impact of FERA amendments

2590. SHRI MATANG SING: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that FERA amendment, recently, announced has significantly contributed in accelerating the process of economic liberalisation.

(b) if so, what are the details of the responses received from the foreign investors, so far;

(c) latest result of the review of foreign investment undertaken in this regard; and

(d) further changes proposed under consideration, if any?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) Yes, Sir.