

Vikal, Shri Ram Chandra

Yadav, Shri Ramanand

### NOES — Nil

*The motion was carried by a majority of the total membership of the House and by a majority of not less than two-thirds of the Members present and voting.*

THE DEPUTY CHAIRMAN: I shall now put the motion regarding consideration of the Representation of the People (Second Amendment) Bill, 1987 to vote.

The question is:

"That the Bill further to amend the Representation of the People Act, 1950, as passed by the Lok Sabha be taken into consideration."

*The motion was adopted.*

THE DEPUTY CHAIRMAN: We shall now take up Clause by Clause consideration of the Bill.

*Clause 2 was added to the Bill.*

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

SHRI BUTA SINGH: I move:

"That the Bill be passed."

*The question was put and the motion was adopted.*

### THE EXPENDITURE TAX BILL 1987

THE DEPUTY CHAIRMAN: Instead of breaking for lunch, we will take up the Expenditure Tax Bill, 1987. Shri Janardhan Poojari.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHAN POOJARI): I beg to move:

"That the Bill to impose a special tax on the expenditure incurred in certain hotels, as passed by

the Lok Sabha, be taken into consideration."

The Prime Minister in his Budget speech for 1987-88 had made an announcement that a separate legislation would be brought forward for levy of a tax on expenditure in certain hotels. I shall avail of this opportunity to explain the main provisions of the Bill.

This short and simple Bill has the object of imposing a tax on expenditure incurred in certain hotels at the rate of ten per cent. The tax shall be levied on any chargeable expenditure incurred in a hotel wherein the room charges for a unit of residential accommodation at the time of incurring such expenditure are four hundred rupees or more per day per individual. The expression 'chargeable expenditure' means expenditure incurred in respect of any accommodation or in connection with the provision of food or drink or any other services by way of beauty parlours, health clubs, swimming pools or other similar services. The levy will not apply to payments made in foreign exchange. This exemption will also extend to payments made in Indian currency which is obtained by conversion of foreign exchange into Indian currency by specified modes.

Person responsible for collecting the expenditure tax will be the hotel receiving such payments. The tax so collected during any calendar month will have to be credited to the Central Government by the 10th day of the immediately following calendar month. It will also be the responsibility of the hotel to furnish a return disclosing the aggregate of chargeable expenditure, the tax collected and the tax paid to the Central Government.

[The Vice-Chairman (Shri Jagesh Desai) in the Chair].

In a case where food, drink or other services are provided at the hotel by any other per-

[Shri Janardhan Poojari]

son, then such person would be responsible for collecting the expenditure tax and for furnishing the return.

All the provisions in the Income-tax Act relating to collection, recovery, penalty and prosecution will apply, *muttatis mutandis* to the proposed expenditure tax. The tax will be administered by the Central Board of Direct Taxes through the Income-Tax Department.

After the Bill receives the assent of the President, the provisions of the Act shall be brought into effect from a date which will be notified in the Official Gazette.

Sir, it was heartening to find that the Bill received wide support and a number of constructive suggestions from the Honourable Members of the Lok Sabha. The Government has already assured in the Lok Sabha that in the light of our experience in implementing this law, any modifications, if necessary, will be considered.

Sir, I trust this Bill as passed by the Lok Sabha will receive the unanimous support of this House.

Sir, I move.

*The question was proposed.*

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): Shri V. Ramanathan.

SHRI V. RAMANATHAN (Tamil Nadu): Mr. Vice-Chairman, Sir, I am happy to say a few words on this subject. I welcome this Bill. It is stated in the Statement of Objects and Reasons that this Bill is purely meant for collecting taxes from the persons who are rich and capable of paying. These rich people living in five star hotels and other hotels are paying huge rent, for example, Rs. 400 or Rs. 500 or Rs. 1000 per day

towards the room charges and they are collecting taxes from them. It is socially good that we are tapping the rich and helping the poor. It is highly essential to tap the rich. This is the best way to tap the rich who are living in luxury hotels and spending thousands of rupees per day.

In this connection I want to make one submission. Previously this sort of tax collection job was given to the State Governments and when the income tax was collected, divisible tax was paid to the State Government as well as to the Central Government. But subsequently when surcharge and other things followed the whole income tax amount has gone to the Centre. In this Bill also, the tax to be collected is a very small income and it can be given to the States. Now, the State's money is again coming to the Central pool. The State is losing the income. This sort of income may be given to the State Governments and they may be permitted to collect these taxes to augment their revenue. But one after another, the State's income is being taken away by the Central Government and by that the State is losing its revenue. Even now States are collecting some taxes from the hotels and if this sort of tax is levied the States will suffer. The State's authority is slowly diminishing. The Centre is encroaching upon the rights of the States. If it is allowed to grow like that, the States will go like Municipality and Panchayat boards and they would request the Centre for every help due to shortage of funds. Whenever there is natural calamity the State Government has to approach the Central Government for help. If this sort of things are permitted to go on, the States will suffer in its revenue and it would be a very unfortunate thing. But as far as the policy of collecting the tax from the rich people is concerned, it is a welcome feature. Now, in the present proposal if the rent charged is Rs.

400/- or above, tax should be charged at the rate of 10 per cent. But in five Star Hotels where the room rents are collected in thousands, this limit can be raised even to 15 per cent. There is no problem in doing that. There are thousands of crores of rupees under circulation as black money. In order to tap this money, this sort of collection would be helpful. With these words, I conclude. Thank you.

**SHRI SANTOSH BAGRODIA:** (Rajasthan): Mr. Vice-Chairman, Sir, I rise to support this Bill on Expenditure Tax. But I would like to add a few more points on this to the Finance Minister that this expenditure tax is only touching the tip of the iceberg because this is only meant for hotel charges. I feel, we have to go with a little broader perspective and we have to cover more luxury items. I feel very strongly that a system of expenditure tax should be introduced in complete substitution of the present regime of income tax and that such an expenditure tax should be leviable on all kinds of personal expenditure. While simultaneously removing all restrictions on the capacity of man to earn money either as an individual or as a member of the Corporation, below are the considerations which have prompted me to take this stand.

Somebody like me who knows that the private sector in India is also by internationally competitive standard a most inefficient operation, this comes as no surprise. If India has ever to become internationally competitive, it has first to start with the grassroot problems in this country. Today, earning money is considered to be disrespectful. Large amounts of the top management which stand in Indian funds are spent on siphoning of money into black money or ever sometimes called number 2 accounts and then laundering it back into their enterprises as and when the need arises to provide risk capital for new projects for growth. I feel strongly that, unless time is

devoted by the top management exclusively to make industry cost-conscious in our situation today, we shall never achieve a low-cost economy. Once, however, the present oppressive burden of Income Tax is substituted by that of an Expenditure Tax, there will be no moral justification for top management in industry to siphon money for number two expenditures and the business world will not waste its time converting money first into black and later into white again.

Today, there is a huge network of illusory assesseees who have no capital of their own, but who are there mainly to pass off somebody else's income as theirs. All these ills are casting an intolerably high burden on the shoulders of the common man in this country, who has to ultimately pay the price by way of a high-cost economy.

It should be possible to motivate a public sector executive to manage a Rs. 100 crore plant for, say, a cash inflow of Rs. 50,000/- annually. However, in actual fact, under our present system, it is impossible to motivate most executives in the private sector to manage such a plant and be satisfied with a cash inflow of even Rs. 2,00,000/- a year. Under the present system of tax laws, the Government imposes an income ceiling on the remuneration of executives and directors. The pernicious law is leading to all kinds of malpractices, and by no means to socialism as our poor masses are often led into believing. Income, let us remember, is in reality no more than a tool for an entrepreneur just as a laboratory is a tool for the scientist or knowledge a tool for the teacher. In the case of an entrepreneur income is a necessary tool for running his business and taking the necessary risks of entrepreneurship. It is not something that is there to motivate him to work, or to help him make two ends meet, or to lead a comfortable or luxurious life. Unless we get ourselves used to the belief that income is a

[Shri Santosh Bogradia]

necessary tool for a businessman's entrepreneurial tasks—and not merely a means of his livelihood—we will not be able to understand what exactly is wrong with our present taxation system.

I am strongly of the view that disparities in income are not fatal for a society. What is fatal are the disparities in expenditure. This latter kind of disparity creates complications. The West has, to some extent, now solve this problem, by reducing consumption disparities to a negligible ratio. We in the developing countries have only accentuated the problem by adopting the Western system of taxation of incomes. Unless this social dynamic of consumption disparities is kept in view by industrialist and politician alike, the volcano on which our society is sitting will erupt. A class war against the affluent elements in our society would be very easy to instigate. Disparities in consumption will one day ignite such a class war, unless we urgently make the systemic changes in our tax regime that I am so earnestly urging here.

If disparities in expenditure can be checked, the disparities of income we see all around us in society will not, in my view, ignite a class war. This is the first aspect. The second aspect is that the consumer must get goods at reasonable prices. And these, in the case of basic goods or necessities, have to be comparable to international prices and not be, as they are now, 500 per cent higher. After all, where does all this extra money go? Either it goes to the affluent elements whether these be in Government or in the private sector or it is lost in a high-cost economy as a price of inefficiency of management. All the taxes collected by way of excise and other indirect imposts today are at the disposal of the affluent among us. Therefore, the public will tolerate the abolition of Income Tax only if a system of Expenditure Tax is implemented

ruthlessly and not in the half hearted manner in which the implementation of Income Tax has been taking place in the last 40 years. The realities of life are such that, unless Expenditure Tax collections are high, the State will not take a decision to abolish the Income Tax. Therefore, the people whose expenditures are higher than the common man's average expenditure in this country must be prepared to bear the brunt of the new system of taxation to begin with.

Gradually, the lowest strata of society has to acquire purchasing power. This will happen only under the Expenditure Tax regime and never under our present Income Tax system. It is quite possible that there will be some evasion of Expenditure Tax, too. Some of my critics have argued that, knowing our industrialists and knowing our political and bureaucratic set-up, it is certain that Expenditure Tax will be evaded even as Income Tax is today. But, until the Government finds a way of making a foolproof law which can be implemented ruthlessly—as is the Indian State's war against the terrorist menace in Punjab or against Naxalites—any kind of tax imposed will be evaded. However, I believe Expenditure Tax will not be evaded on the same scale as Income Tax. I hold this belief for the following reasons.

Let us consider what are the areas in which conspicuous expenditure takes place in any society. People spend their money on lavish houses and cars for themselves or use their cars for petty domestic uses, or they buy expensive furniture and furnishings, acquire durables like TV, fridges etc., or indulge themselves in taking extravagant holidays at five-star hotels. Then there are some of us who maintain a fleet of cars for their children, a retinue of servants in their homes or build swimming pools or install central airconditioning at their residential premises. All these major items of excessive expenditure are very difficult to conceal. Unless the

State is absolutely corrupt, by and large only such easy-to-hide items of expenditure like the acquisition of precious diamond, jewellery may escape the notice of vigilant tax officials. However, these exceptions will not require half as much effort on the part of the official to detect as the secret conversion widely practised in industry to day of profits into black money.

Therefore, the tax officials under an Expenditure Tax regime would be relieved of the burden of examining a plethora of documents and vouchers which the assessee today has to file under the present Income Tax system. Papers required to be filed for scrutiny of expenditure will be both fewer and simpler. The expenditure Tax statements of people spending beyond a certain exempted amount per year would, under my proposals, require to be published as public documents. Take the case of a man who creates, through the demon's ration effect, a problem for his neighbour who is unable to find a bridegroom for his daughter because he has not the capacity to spend as lavishly on weddings. Under a system of Expenditure Tax, such a person, unable to afford an expensive wedding, will have a strong motivation to inform the authorities of the non-disclosures in the public statement of expenditure made by the wasteful guy next-door.

Finally, our recent tough problems in Punjab and Darjeeling should teach us a lesson. Once a handful of people are ready to sacrifice their lives, they can be motivated to commit even insensate acts of violence. The twin pressures of electoral politics and economic development are mounting in this country. These enemies of the nation have been able to generate a Phoney class war, perhaps only because there are such glaring disparities of expenditure in our society. As I said above, to try to control disparities of income is a useless and unproductive enterprise. It is bound to fail as our experience of the past 40 years clearly shows.

On the other hand, a simply administered law imposing a well conceived and internally consistent system of Expenditure Taxes, would have the effect of increasing our rate of national savings. There would be a great built-in motivating factor for people, particularly the rich, to earn and save while leading a simple life—which is the crying need of the hour, poised as the nation is today delicately between the object of the many and the indelicately wasteful lifestyles of the few. TTK had tried to introduce expenditure tax along with income-tax. (*Time bell rings*) in view of this I request the Finance Minister, if he can make it more broad-based, it will be more effective for our society.

**SHRI GHULAM RASOOL MATTO** (Jammu and Kashmir): (Mr. Vice-Chairman, my honourable colleague who was to speak on this is not here and in his absence I have taken over his job and I have quickly gone through this Bill in three minutes. This Bill is consequent to the Budget Speech made by the honourable Prime Minister. The honourable Prime Minister very categorically stated that those who are affluent and can afford to stay in a five-star or four-star hotel can very well pay tax and can be taxed. With this object in view I support the Bill. But on going through the Bill cursorily I have found there are a few lacunae which need to be plugged. I was trying to find out how these lacunae can be plugged at this late hour because the Lok Sabha has already passed the Bill and the Rajya Sabha is in the process of passing it in the next few minutes. I am referring to Clause 31—Power to make rules. All the lacunae can perhaps be plugged through the rules—I now turn to the subject matter of the bill. Sub-clause (2) (a) which reads—

“the manner in which the room charges may be determined under sub-section (2) of section 3 in cases

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where composite charges are payable in respect of residential accommodation and food;"

My important objection is to Clause 3(1) which states—

"... for any unit of residential accommodation at the time of the incurring of such expenditure are four hundred rupees or more per day per individual."

Here is left a lacuna. If the room is occupied by two persons but the charges are less than Rs. 400...

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): Even if the room costs Rs. 750 but if it is shared by two persons, it will be Rs. 350 per head and this rule will not be applicable

SHRI GHULAM RASOOL MATTO: Yes, that is what I am saying. It should have been "... per room or per individual, as the case may be". This is a very important factor; otherwise, as pointed out by the Vice-Chairman, if it is not Rs. 400 per room but per individual, then even a Rs. 750 room can go scot-free because it can always be shown as occupied by two. Number two: Every 5-star or 4-star hotel has a particular system. Only the room rent is there and the food and drinks are being ordered for. Now, a person who is occupying a room orders for food and asks the manager to send a cash memo and then pays it in cash. A rule has to be framed that any person who is occupying a room and orders for drinks or for food or any other things will have this included in the total bill and that it shall not be paid in cash and even if it is paid in cash, it must be taken as having been included in the total bill.

The third point is with regard to the composite charges. I went to Calcutta some time back and I found in a hotel that the charges for an ordinary breakfast were Rs. 75/-! Seventy-

five rupees is just a luxury for a small breakfast which should not cost more than five or six rupees. But there they are charging Rs. 75/- or so. If the person includes this and tells the Income-tax Officer that the sum of four hundred rupees includes the breakfast price which is Rs. 75, then he gets out of the net. This fact also should be taken into account. My next point is a very important one, according to me. You should have kept a provision of ten per cent less under this. Now, under the present Bill, if a hotelier charges Rs. 399/-, he goes scot-free. If he does such a trick, he should also feel the pinch. So, my suggestion would be that under the rules ten per cent of the charges of this amount of four hundred rupees should also be made chargeable. In that case, he will also feel the pinch. So, this must be provided for in the Bill under the rules. Within the three or four minutes that I go I could pick out these points and there may be many more also. I would like to request the honourable Minister to have consultations with the Income-tax Department and with the ITDC—it is an important organization available to him for consultation—and find out whether there are any loopholes. He should himself call a meeting of the Income-tax Officers or the Income-tax Commissioners or the CBR and the ITDC and try to find out whether there are any loopholes. Now, under the present clause, it has been left at the discretion of the ITO. This should not be so. There should be very little which is left to the discretion of the ITO because that also breeds corruption in its own way. So, you consult the ITDC as well as the Commissioners of Income-tax and frame the rules in such a manner that there is very little left to the ITO to make his own assessment of the situation.

My last point is with regard to the tax collected. Ordinarily, Sir, this belongs to the States. States do collect sales-tax from the hotels and they call it as the hotel tax. In every State it is so. You have this Bill now. I am a

pragmatic person. I want an assurance from the honourable Minister. If it is collected by the Income-tax Department and if 85 per cent of the Income-tax has to go to the States out of the tax so collected, he should assure me that, whether it is a hotel or an individual or a company or a professional, the tax collected will be treated on par with Income-tax collected from individuals and firms and 85 per cent of it will be distributed to the States and only 15 per cent will be retained. I want this categorical assurance.

With these observations, I support the Bill.

**SHRI RAOOF VALIULLAH (Gujarat):** Mr. Vice-Chairman, Sir, I rise to support the Expenditure Tax Bill, 1987. The Bill, as pointed out by the hon. Minister, has the object of imposing tax on expenditure incurred in certain hotels at the rate of 10 per cent. The tax shall be levied on any chargeable expenditure incurred in a hotel wherein the charge for residential accommodation is Rs. 400 or more per day per individual.

As my hon. colleague pointed out, there may be certain loopholes. But I am very sure that while framing the Rules such loopholes will be plugged. As it is, the room charges in 5-star hotels are more than Rs. 400, and therefore, I feel, this should have been one reason for the Government to fix Rs. 400 or more in calculating the tax. But I strongly feel that this kind of tax should be extended to first class air-conditioned travel, and other forms of luxurious accommodation also. I would have really felt very happy if a consolidated Bill would have come to the House levying such kind of tax on all kinds of expenditure which the Government thinks is conspicuous consumption. Sir, the effort on the part of the Government is to raise resources, check conspicuous consumption and on the other side to encourage savings in the people,

and both resources and the savings should be invested in productive areas. We are all aware that the country is facing the worst ever drought and flood situation and thousands of crores of rupees are required to combat these natural calamities. Sir, I understand that National Drought Relief Committee of the All-India Congress Committee set up under the chairmanship of the hon. Prime Minister. **Shri Rajiv Gandhi**, has in its report suggested levy of drought surcharge. I repeat they have suggested levy of drought surcharge and they have also recommended that luxurious travel and conspicuous consumption should also be taxed. I would like to know whether the Government is considering on these lines also. In such a country where the vast section of the people is poor and a certain section is spending lavishly and indulges in wasteful expenditure this Bill should have incorporated panel clauses to curb such expenditure. Unfortunately, it is only pertaining to 10 per cent tax on hotel charges and on the rest of it the Government is silent. I do not know whether another measure is going to be brought before both the Houses.

Sir, I recall that a similar measure, namely, the Expenditure Tax Act, was introduced in 1987. It was in force for several years. Later on, it was withdrawn because it was able to derive only Rs. 1 crore whereas a lot of money was spent on the collecting machinery and towards administrative expenses. When the Government is simplifying the tax structure and consolidating the Income-Tax and other taxes, I would suggest that the expenditure tax should also be levied as recommended by certain Committees, namely,

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Kaldar Committee in the 1950s and very recently the Chelliah Committee.

The payment in such hotels are normally made in cash and cash means black money. Therefore, this kind of payment should also be checked so that tax evasion and concealment of income may be effectively dealt with.

There is a provision in the Bill that this tax will be levied on the residents of the hotels who happen to take food and drinks in the hotel. There is no provision for such a tax to be levied on those who merely use the restaurants in these luxurious hotels. For instance, a person may go to a five-star hotel and eat in the restaurant. I would like to know whether this 10 per cent tax will be levied on him also if he is not a resident of the hotel. Why has this kind of loophole come into this Act?

**THE VICE-CHAIRMAN (SHRI JAGESH DESAI):** Suppose the room charges are less than Rs. 400, but a person consumes food and beverages worth more than Rs. 400. Will he be covered? As such, it only applies if the room charges are Rs. 400. What happens if a person stays in a hotel room and consumes food and beverages for more than Rs. 400? Will he be taxed?

**SHRI RAMESHWAR THAKUR (Bihar):** So far as the Bill is concerned, he will not be taxed.

**SHRI RAOOF VALIULLAH:** As mentioned earlier by the hon. Minister, since the object of the Bill is to curb wasteful expenditure, other activities like posh house construction, grand marriage receptions, etc. in a Five-Star hotel should also be included in the purview of the Bill. It is not necessary to stay in a hotel to spend money. You can spend thousands of rupees without staying in that hotel. Therefore, I plead that this kind of

thing should also have been included in the Expenditure Tax Bill that is before the House.

Sir, it has been observed that 95 per cent of the occupancy in these hotels comprises of foreigners, business executives and very important lawyers who come to appear in the Supreme Court at the expense of the clients. In fact, a recent survey conducted on air travel by the Ministry of Civil Aviation has revealed that only 5 per cent are genuine passengers in the sense that these people pay from their pockets while the other 95 per cent are either business executives, bureaucrats or executives from the public and joint sector undertakings. Therefore, what is the harm in raising this 10 per cent to 20 per cent? Nobody pays from his pocket. Here I would plead that instead of 10 per cent, if you raise it to 20 per cent, you can mop up more resources than what you can do by 10 per cent.

**SHRI GHULAM RASOOL MATTO:** Don't kill the goose that lays the golden egg.

**SHRI RAOOF VALIULLAH:** Is public sector laying golden eggs by travelling and staying in big hotels? If you go and check the occupancy list, 95 per cent of them are bureaucrats, business executives and executives of public and joint sector undertakings.

2.00 P.M.

**THE VICE-CHAIRMAN (SHRI JAGESH DESAI):** Others cannot afford.

**SHRI RAOOF VALIULLAH:** Then, this 10 per cent is on whom? Again, as I mentioned, we are exempting the foreigners. Why are you mopping the ten per cent at all then? Sir, in this country, with poverty all around us, there is also vulgar display of wealth. And it is in this sphere that stringent measures are required. I would, therefore, like to know whether the

Government has estimate the revenue earned from this measure. And if it is a major amount, then these provisions could be extended further to include tax on wasteful expenditure and conspicuous consumption also. In this connection, I am happy that this Act has been included in the Schedule of economic offenders in its application to Limitation Act so that the limitation under the Criminal Procedure Code is also applicable to this. But, as we all know, some economic offenders take anticipatory bail from the courts to avoid their arrest and hence the whole purpose of such Acts is defeated. I would, therefore, request that some provisions should be there, not only in this Act but in other Acts also so that these offenders cannot take anticipatory bail from the courts.

Sir, in the interest of promotion of tourism, it has been provided in Clause 5 that 'expenditure' does not include the expenditure paid in foreign exchange and hence the foreigners are exempted from the liability of the proposed tax. I would like to seek one clarification from the hon. Minister. Suppose a foreigner converts foreign money into Indian currency and he goes out of Delhi and the payment is made by the same foreigner in Indian currency. Can he claim exemption under this Act? He has converted the foreign exchange into Indian currency and he paid it in Indian currency. Is he exempted or not?

**THE VICE-CHAIRMAN (SHRI JAGESH DESAI):** It is there in the Bill.

**SHRI RAOOF VALIULLAH:** There is nothing in Clause 5.

**SHRI JANARDHAN POOJARI:** The exemption is there.

**SHRI RAOOF VALIULLAH:** Now, I would also like to mention Clause 12—Rectification of mistake. In this Clause, in order to rectify a mistake

apparent from the record, the Tax authority referred to in Section 6 which passed an order under the provisions of this Act may, within four years of the date on which such an order was passed, amend the order. Now, if you look at sub-clause (4) of Clause 21, it says: "no order under this Section shall be passed after the expiry of two years from the end of the financial order in which the order sought to be revised has been passed." Here it is two years, but a mistake can be rectified within four years. That period is too long a period and it should be lessened to three years...

**THE VICE-CHAIRMAN (SHRI JAGESH DESAI):** It is amended on the pattern of the Income-tax.

**SHRI RAOOF VALIULLAH:** It was all right in the case of income tax. But here for such a small sum, for payment to a hotel, four years is too long a period. And, I think, the point was raised in the other House also that the period of four years to rectify a mistake is too long a period. On the other hand, I would refer to Sub-clause (3) of Clause 22, where an appeal is to be made to the Commissioner. Now, the period given here is only 30 days in which an appeal can be made to the Commissioner of Appeals on the receipt of a notice of demand relating to tax, interest or penalty under this Act and further an appeal to a tribunal shall be filed within sixty days of the date on which the order sought to be applied against is communicated to the assessee or to the commissioner, as the case may be. Now, on the one hand the income-tax authorities have a wide power with regard to rectifying the mistakes and with regard to assessment, and, on the other hand, the citizen, he may be doing any wrong things, but as a citizen he has been given only 30 days for appeal and 60 days for filing an appeal before a tribunal. Now, I think you lessen that period or

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increase this period at least by about a month in both the cases. This will be in the interest of justice.

Another thing that was referred to by my hon. colleague previously was that this tax essentially falls within the sphere of the State Government, such as entertainment tax on consumption of luxurious items and such other things. This is an expenditure tax but actually it is a tax on conspicuous consumption, therefore, I feel that the States' share should also be considered in view of the resources, very limited resources which are available to the States.

With these words, Sir, I commend the Bill and I would plead before the Government that such stringent measures are required more and more to book the economic offenders.

**SHRI KAPIL VERMA** (Uttar Pradesh): Sir, I rise to support this Bill and I am sure that it will secure unanimous consent of the House because of its highly non-controversial nature and because it is a measure which will curb black money, encourage savings and raise resources.

Sir, a reference has been made to Prof. Kaldor. He was called by Pandit Jawaharlal Nehru in late 50s to visit the country and he made certain recommendations. I am not referring to his book on British Economy on expenditure tax but in India also he made a lot of recommendations. I do not know what happened to them. I would like to know from the hon. Minister what decision has been taken on those recommendations which were submitted long long ago. In 1957, as has been pointed out, a Bill was introduced, but it was given up in 1966-67 when it was found out that only Rs. 1 crore was collected and probably the expenditure was more. But, in any case considering the present situation, which is not of 1966 or 1967, we have to review the whole thing. I would like to know

from the hon. Minister what is the report of the committee which was appointed by Mr. V. P. Singh as the Finance Minister in 1985, if I remember correctly, about the facility of having expenditure tax as the basis of personal taxation. What has been the follow up? As we know the question of black money which has been debated quite a bit in this House is estimated to be Rs. 37,000 crores, and as the years have passed by we have found that a neo-rich class has come up where there is vulgar display of wealth. Since Pandit Jawaharlal Nehru's time things have deteriorated very much and a very senior official of a department of the Government of India told the Estimates Committee that the Government has received information that on certain weddings more than Rs. 10 lakhs have been spent. Now the Government is to think very seriously what to do about this. How do these people collect so much of money? How do they spend it? And on certain houses the expenditure is estimated to be about a crore of rupees. Marble tiles are imported; swimming pools are provided. Then there is vulgar display of wealth in purchase of jewellery and things of that kind. In earlier days, during the summer, the rich class people would go to Mussoori or Nainital or Simla. Now if you talk to them, you will find they have returned from U.K. or U.S.A. or Canada and are leaving next week for some other foreign country. All this money is obviously black money and the Government is not able to tax them.

In provision of Rs. 400 per day charges has been taken probably from the new regulations of Income-Tax Act it probably applies to the scales of 3-Star hotels. In my opinion, this scale of Rs. 400 is on a high side; it should be brought down to Rs. 200 or Rs. 300. I am grateful to the Minister that he just now said while moving the Bill that he will consider changes in the law as the Government gains experience on the working of

the Act. In my opinion, this should be done quickly. We all know the facts of life. If you visit any hotel in Delhi or Bombay or Calcutta, you will find the kind of people who visit these hotels and how much money they have in their pockets.

Another suggestion is that incidence of taxation should be raised from 10 per cent to 20 per cent so that some more money is collected for the resources, because when you thought of the Bill, then drought was not there; problem of rains was not there; problem of floods was not there. Now you need hundreds of thousands of crores of rupees for all this, and you amend the Bill here and now, there is no harm because you need money. As has been suggested and pointed out here, a surcharge is being thought of for the Expenditure Act, taxation Acts, and as the Prime Minister also mentioned it in his speech as Finance Minister while presenting the Budget, it was promised that there will be a surcharge on airconditioners, on refrigerators and other luxury items. I wonder what happened to it, and I hope the Minister will clarify what he has done in pursuance to that promise. In fact, the Government must seriously think of the entire scale of expenditure, the vulgar display of wealth, the lavish expenditure, and should tap those sources and find money for the poor people, because at a time when poor people are starving, when millions have no shelter, there are others who are spending lavishly in the hotels. Who stay in these hotels? As has been pointed out by my hon. colleagues, it is either the business executive or the officers of these companies, and they spend money out of funds provided by the financial institutions to them, and after throwing away all this money, they declare the industry as sick and divert all the money to other purposes and then blame the workers for going on strike. So the Government has to tap this particular area rather strongly. At least for the public sector on which Government has some

control, we should ban stay of these executive hotels. They should be able to make moderate living and we should encourage a lifestyle for them, as a Government claiming to be a Socialist Government, which has some parity with common people. There is a plethora of conferences and symposia and people are going out of the country, and even the within the country, they stay at 5-Star hotels. I was surprised to know the other day that a hall in one of the five-star hotels in Delhi cost Rs. 60,000 per day—if my information is correct—for a wedding. The question is, how do they pay. Therefore, I say, all these things have to be considered. The time has come when the Government must seriously think of imposing expenditure tax on the entire gamut of lavish living and expenditure in various ways; housing, wedding etc., the use of air conditioners and things of that kind. We have to go into the question as to how they spend so lavishly. The entire thing should be reconsidered in this light. Sir, I will not take more of your time.

Now, the exemption given in respect of tourism is all right and I welcome it. Tourism has to be encouraged. But there is an Explanation here which says:

“(a) expenditure incurred or any payment made in Indian currency obtained by conversion of foreign exchange into Indian currency shall in such cases and in such circumstances as may be prescribed be deemed to have been incurred or, as the case may be, made in foreign exchange;...

A foreign tourist has to stay in various hotels at various times. Every time, he has to explain that the money he is paying has really been converted from foreign exchange. This particular loophole should be looked into. As I suggested earlier, the Government should come forward, at an early

[Shri Kapil Verma]

date, with a comprehensive scheme for taxing expenditure so that valuable resources can be raised. Thank you.

SHRI RAJNI RANJAN SAHU (Bihar): Mr. Vice-Chairman, I rise to support the Expenditure Tax Bill, 1987, which has been brought in this House today. The word expenditure tax appear very high-sounding. But when we go into the details of the Bill, we find it is just like a mole out of a mountain. Sir, the object of this Bill is to curb wasteful expenditure, as told by my colleague, the expenditure which is incurred by moneyed people, company executives and by big business people. The object is very pious no doubt. The object should be to curb vulgar display of wealth, conspicuous consumption, ostentatious living which is undoubtedly the root cause of all the ills in the society. An economist like Prof. Nicholas Kaldor also advocated imposition of expenditure tax. As far as I know and as our learned friend Mr. Valiullah, also pointed out—it was brought earlier also in 1956 by the then Finance Minister but it was withdrawn. I do not know the reasons. I would like the hon. Minister to find out the reasons for its withdrawal.

Sir, the Bill is very short and simple. No major issues are involved in this. The object is to impose tax on expenditure incurred in the hotels. As I said, it is very high-sounding but restricted only to hotels. Payments in hotels will be taxed at the rate 10 per cent. The tax is imposed on the expenditure incurred on hotels where the room charges paid are Rs. 400 or more per day individual. Sir, as it is being pointed out and I also feel, there will be no room charge as such after this Bill is passed, everything will be included in the food and beverages, and hon. Minister will find that ultimately nobody is footing his bill as room

charge. So this malady is there. There are several other contradictions and I do not want to go into all of them, but I would say that one of the basic tenets in devising a rational tax system is the need to avoid injunctions whose compliance is intrinsically incapable of verification. So, this Bill may offend these basic facts and tenets.

Sir, I have got every doubt that there may be possibility of avoiding and evading this tax in a big way because there are so many loopholes. The management of the hotel may in connivance with the resident who may not like to foot the bill of more than Rs. 400, ask to split the bill in two parts. This is quite possible because rich people stay in hotel and they are capable of doing all such things. Thus, the very object of the Bill may be frustrated. Hon. Minister might be knowing how much wasteful expenditure is being done i.e. crores of rupees are being spent by the moneyed people on new year eve i.e. on 31st December and on new year's day i.e. 1st of January in big cities like Delhi, Calcutta, Bombay and Madras. One can see the vulgar display of the wasteful expenditure. I would advise the Minister to visit personally the hotels in big cities and get the survey done by his department. He will find the wasteful expenditure in crores of rupees. This has not been taken care in this Bill.

Apart from this, wasteful expenditure, and huge expenditure being incurred on decoration of residential buildings, leave aside the expenditure made on marriage celebrations, etc., as pointed out by many of our colleagues. There should be a provision in this Bill about the huge wasteful expenditure incurred on decoration of residential houses also. That expenditure should also be brought within the purview of this Bill.

Our objective is to achieve socialism and without curbing this type of wasteful expenditure in our country we cannot achieve the goal as desired by our Prime Minister. So, there should be a provision in this Bill to curb all such wasteful expenditures.

Hon. Minister should also try to bring all such wasteful expenditure under one comprehensive Act. There should be one comprehensive national code on direct taxes instead of bringing piecemeal legislations. So many Bills are coming in piecemeal. It should be brought comprehensively. The main object is to curb black money, which is, as has been pointed out, about Rs. 37 crores and if such Bills are brought in piecemeal, without plugging the loopholes, there may be chances of adding to the treasury of black money instead of curbing it.

Sir, Government is not going to get a substantial amount out of this 10 per cent imposition. So I also feel that the imposition should be enhanced to 20 per cent because less amount is likely to come and there are likely to be evasions and avoidance. Therefore why not to impose 20 per cent instead of 10 per cent? The above-mentioned views should be taken due care and loopholes may be plugged while framing the rules.

Lastly, it needs to be stressed that unless tax laws become reasonable and responsive to inflation, reform of tax laws will fail to achieve the desired goal. With these words, I support the Bill and request the hon. Minister to plug the loopholes and contradictions which are there in the Bill. Thanking you.

SHRI P. N. SUKUL (Uttar Pradesh): Mr. Vice-Chairman, Sir, I rise to support the Expenditure Tax

Bill. This is a very simple bill and a very significant bill. It is very welcome. The Bill seeks to impose 10 per cent tax on lavish spendings in five-star hotels. The tax is to be levied only where the room charge is Rs. 400 per unit per head per day.

The Expenditure Tax, as some of my friends also mentioned, was introduced in 1957 also, but it could not work because the collection was not much and the expenditure on the collection of the tax was found to be more than the tax collected. But this time, I hope, it will not happen and the tax will be properly collected and credited to the public exchequer. In 1957, I think, there were not even half a dozen five-star hotels in the country. But today there are dozens of five-star hotels in almost all the metropolitan towns—and not only in metropolitan towns but in remote towns and cities and at various tourist spots. Now therefore there is no room for any loss to the Government on account of recovery of this tax.

The object of the Bill is obviously to discourage and restrict wasteful expenditure and lavish spending. Now as we know, black money in our country is anywhere between 40,000 to 50,000 crores and spending on hotel-living and purchasing luxuries are some of the ways of using up this black money. In other words, it is an indirect tax on black money also. It is a laudable tax because it will also be taxing the black money.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): They would not show that black money because if they do so, they may be caught.

SHRI P. N. SUKUL: They will not show, but they will be in a tight spot if they do not show. They will not be able to spend so much also.

[The Vice-Chairman (Shri H. Hanumanthappa in the Chair).]

This is a laudable step also because it will be inducing more savings in the country. If people are to spend less, naturally, they are to save more, and instead of spending and being taxed on these spendings, people may be more inclined to save more.

This expenditure tax, in fact, should replace, in my humble opinion, the income tax. At present we have income tax, profession tax, sales tax, local octrois—all these taxes. But these taxes do not encourage people to save more. That is why all these taxes can be replaced by expenditure tax. As one of my friends was saying, an economist, Prof. Kaldor, has recommended it much earlier, and there is a particular school of thought which says that expenditure should be taxed because—in fact, it is our demand—demand on consumption that should be taxed. If we do not consume then why should we be taxed? Whatever we consume, on that tax should be assessed, and it will be a very good thing if the Government, in due course, decides to apply the expenditure for in otheriwa'ks of life also.

Now, here you have fixed Rs. 400 or more of room rent charged as taxable. Obviously, five-star hotels charge that much. In smaller hotels, those who stay there paying Rs. 200 or 300 per day are not going to be charged his tax. In the other House a suggestion was made that those who pay a room rent of Rs. 300 per day should also be made chargeable. But the Government must be having its own consideration. This is only a beginning and we will be seeing the results for a year or two and then we may re-

duce this limit, if necessary. Spending Rs. 100 per day may not come under vulgar display of money, but Rs. 400 to 1,000 per day, of course; is some thing can be avoided and, that is why, I welcome this tax.

There is one thing, Sir. You say that anybody who pays in foreign exchange will not be taxed and anybody who spends in Indian currency, obtained through conversion of foreign exchange, also will not be taxed. This logic, at least I am not able to appreciate. This means, just for earning some foreign exchange you are not taxing such people. In fact, if you will be taxing the foreign exchange, you will be earning more foreign exchange. But I can't see the logic why an Indian will be taxed while a foreigner will not be taxed. If both are living in the same hotel and both are paying the same rent . . .

SHRI RAOOF VALIULLAH: whether it is not violative of article 14 of the Constitution, whether it is not discrimination . . .

SHRI P. N. SUKUL: . . . it is discriminatory also. The spending of an Indian who pays in Indian currency will be taxed, while a foreigner who comes and pays in dollars or pounds will not be taxed for the same living, for the same room, for the same consumption! why should not also be taxed? This is a lacuna and I think our legal experts should go into the aspect of the problem and somehow straighten it. There is another point also. I am not a legal expert. This is also a legal point because, once you are imposing income tax and profession tax, on the food we eat in the hotels there is sales tax also. Then, with all these taxes, how far can we go in taxing the expenditure taken together? The service

charge also is there. So, in the face of all these charge, will it be tenable? This is something that has to be examined by legal experts. But in principle, I say, taxing expenditure is a very welcome thing, a very welcome move by this Government. I really congratulate Shri Rajiv Gandhi and his Government for bringing this Bill. Because our Government, meaning our leader, our Prime Minister, are sincerely thinking of removing the economic disparities. They want to do away with this vulgar or lavish display of money in the country. It is a step towards that. It may be a small step, but it is a positive step towards that. I know there are people who have been Ministers, here. They say, so long as they were Ministers, things were all right, and once they are not Ministers, now the whole thing is very bad. The person who was our Finance Minister, in today's paper says, "I will fight for farmers, I will fight for workers, I will fight for Harijans." What did he do when he was the Finance Minister? Today he says he will fight for workers.

SHRI SHANKARRAO NARAYANRAO DESHMUKH (Maharashtra): What did he do for the last so many years?

SHRI P. N. SUKUL: When he was the Finance Minister, under his control was the Accountant General's Office in Allahabad. There was an agitation of workers there. Their leaders came to me. I took them to him. I gave him in writing that it was like this. Instead of solving that problem, he suspended those leaders. They are still under suspension. So, talking something and doing something else is not really good.

But, indeed, our Government; our Prime Minister are working on

right lines. . This is a very good Bill, and I support this Bill.

SHRI RAMESHWAR THAKUR: Hon. Vice- Chairman, Sir, I rise to support the expenditure Tax Bill, 1987. This is a Bill to provide for levy of tax on expenditure in regard to certain hotels.

Sir, it seems that some of my colleagues have possibly not given due consideration to the provisions of the Bill and have been misled in certain respects by thinking that this Bill is only for charging 10 per cent tax on the rentals of rooms, of Rs. 400 or above. If we see, section 3 of the Bill means it clear. It says:

"Subject to the provisions of sub-section (2) and sub-section (3), this Act shall apply in relation to any chargeable expenditure incurred in a hotel wherein...."

This is important. This Act shall apply in relation to this.

".....in relation to any chargeable expenditure incurred in a hotel wherein, the room charges for any unit of residential accommodation at the time of the incurring of such expenditure are four hundred rupees or more per day per individual."

What is important is, it has been identified that the basis is a room in a hotel or a unit of accommodation in a hotel where the charges are Rs. 400 or more.

But the chargeable expenditure incurred has been defined in section 5. This is important. Every Member, almost all the Members from this side or the other side, were possibly misled. This says:

"For the purpose of this Act, chargeable expenditure means any expenditure incurred in, or payments made to, a hotel to which this Act applies, in connection with the provision of,—

"(a) any accommodation, residential or otherwise;"

[Shri Rameshwar Thakur]

Otherwise means if they have taken for a short period or have made some arrangements for some seminar or other purposes. Then it says; also to be chargeable is food or drink by the hotel, whether at the hotel or outside or by any other person at the hotel. They are of two kinds. It may be the hotel has provided the services within the hotel; hotel has provided the services of food and drinks etc. elsewhere outside on orders. That also is covered and taxable.

The third thing is: "Any accommodation in such hotel on hire or lease." Sometimes many important companies or others reserve the accommodation for the whole year on lease or hire. This is also included.

The most important point which many members missed is sub-clause (d) of Clause 5 which says:

"Any other services at the hotel, either by the hotel or by any other person, by way of beauty parlour, health club, swimming pool or other similar services."

So, these are all chargeable. Not only those Rs. 400 or above as room rental, but all the expenses incurred in a hotel or by a hotel or by a hotel outside the hotel are included. Therefore, the misunderstanding which was mentioned by many Members is not correct.

Now, what is not included is also very clear.

"(a) any expenditure which is incurred, or the payment for which is made, in foreign exchange."

This is very important when we want to encourage tourism, when we want foreign guests. In such a situation the idea is not to ask them to pay this. Therefore, this has been excluded.

The other one is:

"(b) any expenditure incurred by persons within the purview of the Vienna Convention on Diplomatic Relations, 1961, or the Vienna Convention on Consular Relations, 1963;

(d) Any expenditure by way of any tax, including tax under this Act."

There was a confusion again by some members that the foreign members will have difficulty. It is not correct. Actually for the purpose of removing difficulty, explanation (a) under Clause 5 explains that "the expenditure incurred or any payment made in Indian currency obtained by conversion of foreign exchange into Indian currency shall in such cases and in such circumstances as may be prescribed be deemed to have been incurred or, as the case may be, made in foreign exchange; and

'foreign exchange' and 'Indian currency' shall have the meaning respectively assigned to them in clauses (h) and (k) of section 2 of the Foreign Exchange Regulation Act, 1973."

So, it is a complete aspect and there is no question of any misunderstanding. And if there is any ambiguity, that would be prescribed.

One aspect which I would like to mention is where there could be a little confusion and which needs to be taken care of in the rules under sub-clause 2 of Clause 3 it is said:

"Where a composite charge is payable in respect of residential accommodation and food, the room charges included therein shall be determined in the prescribed manner

Now, this 'prescribed manner' has also been mentioned in the Memorandum here in the last page which says:

"Such rules may be made inter-alia for laying down in the manner in which the room charges may be determined under clause 3(2) in case where composite charges are payable in respect of residential accommodation and food."

Therefore, my suggestion is that having said this in 'prescribed manner', this itself comes only in the rules. Below that under sub-clause 3 what we are saying is this:

"Where a composite charge is payable in respect of residential accommodation, food, drinks and other services or any of the case is not covered by the provisions of sub-clause 2 or here comes the problem. Clause 3, sub-section (ii) says:

"it appears to the Income-tax Officer that the charges for residential accommodation, food, drinks or other services are so arranged that the room charges are understated and the other charges are overstated the Income-tax Officer shall, for the purposes of sub-section (1) determine the room charges on such reasonable basis as he may deem fit."

Here the power is given to the Income Tax Officer. This was also referred to by other Members. The role of the Income-Tax Officer should be prescribed and it should not be left to his sweet will. He may be having many difficulties, for example, going to many hotels located at different places. It should be prescribed in the rules that the Income Tax Officer need not go in each and every case and find out the position. He has certainly certain duties to perform but under the prescription if it has not been properly applied then he should look into this thing. But he should not... (time bell-rings) I have many other clauses to deal with. I am saying something very important. Members from that side have left.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Please be brief.

SHRI RAMESHWAR THAKUR: Therefore, I would suggest while making the rules this aspect should be taken into consideration.

Clause 4 says:

"Subject to the provisions of this Act, there shall be charged on and from the commencement of this Act, a tax at the rate of ten per cent of the chargeable expenditure."

Some Members have said that this should be much higher. I think, 10 per cent to start with is good. I understand that this might give us about Rs. 50 crores a year. What is necessary is that it should be properly applied and it should be fully recovered in time as prescribed in other clauses below.

Now, I would like to mention one or two aspects here. The first one is about collection and recovery of expenditure tax. Clause 7 deals with this at length. It is said:

"The tax collected during any calendar month in accordance with the provisions of sub-section (1) shall be paid to the credit of the Central Government by the 10th day of the month immediately following the said calendar month."

This is a question whether 10 days is enough or 15 days should have been all right. But having mentioned 10 days, we should ensure that accounting and everything in regard to the maintenance of the expenditure should be made in a manner that they are able to bifurcate it. It should be simultaneously written in such a manner that we should know what is the tax on day-to-day basis. Then only it should be possible at the end of the month to realise what is the actual tax and then it could be paid. If accounting on a large number of

[Shri Rameshwar Thakur]

rooms and a large number of customers are mixed up then it would be difficult in accounting. If we want to bifurcate the expenditure and find out the tax at the end of the month, I think, it may create practical difficulties. In that case, 10 days may be very small. Even the rules may have to prescribe this thing so that accounts in the register can be maintained and it should be possible to deposit the tax smoothly.

Now, coming to clause 8, person responsible for collecting tax to furnish prescribed return, sub-clause 3 says:

"Any person responsible for collecting the tax who has not furnished the return within the time allowed under sub-section (1) or sub-section (2), or having furnished a return under sub-section (1) or sub-section (2) discovers any omission or wrong statement therein, may furnish a return or a revised return, as the case may be, at any time before the assessment is made."

I think, here also we should give assessment time. Of course, we have two years' time and again for the revision there is some more. But here it should be mentioned clearly so that if there are some benefits and facilities to the clients then they will be in a position to furnish the revised statement, if any, before the assessment is made because the question will be when they submit the revised statement, what about the payment thereof. The question is not that time should be given for the revised statement but if the revised statement means more amount to be paid, then the question would be there would be delay and the consequential question of interest and penalty would come. Whether they will be liable to penalty or not, that is a matter which is... (*Time bell rings*)

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Please conclude, Mr. Thakur.

SHRI RAMESHWAR THAKUR:

All right, Sir. I will make it brief. Now, there is one provision about rectification of mistake. Clause 12(1) says: With a view to rectifying any mistake apparent from the record, the tax authority referred to in section 6 which passed any order under the provisions of this Act may, within four years of the date on which such order was passed, amend the order. Four years is the normal practice. But I would like to suggest that we should have followed that in regard to charging section, upto that, it is all right. All other procedural law should have been the same as are applicable to the income tax law. In fact, later on, we have said but many of the clauses have been given here. Now, the question in regard to 1-1/2 per cent interest is reasonable but the penalty equal to the tax is reasonably well. Here it says in clause 15: "in the case referred to in clause (a), in addition to paying tax in accordance with the provisions of sub-section (3) of that section, by way of penalty, a sum equal to the amount of tax that he failed to collect; and in the case referred to in clause (b), in addition to paying interest in accordance with the provisions of section 14, by way of penalty, a sum which shall not be less than one hundred rupees, but which may extend to two hundred rupees for every day during which the failure continues."

I think, this amount is on the lower side which should have been a slightly higher amount to make it more deterrent and similar is the case with Clause 16 also, penalty for concealment of chargeable expenditure is heavy. One thing that I wanted was that this Rs. 25,000 in Clause 17 beyond which the ITO has to obtain permission from the Inspecting Assistant Commissioner is on the lower side. In cases of this nature, magnitude in all the hotels, the composite amount will be much higher and it should have been Rs. 1,00,000 and not Rs. 25,000. (*Interruption*).

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Please conclude.

SHRI RAMESHWAR THAKUR: All right, Sir. Then, I will leave the other clauses, since there is paucity of time. There are a few other suggestions. We are aware of it that in the case of travelling, there is a limit as to what amount should be allowed. In the case of those officers getting Rs. 1000/- and above, they are being allowed Rs. 200/- per day in Delhi, Bombay and Calcutta and Rs. 150 at other places under income tax rules. The other officers who are getting less than Rs. 1000/-, they get half of it. Therefore, this amount and the purpose for which an assurance was given in the Budget speech has been well justified and very nicely brought and it will really have the desired results.

Some hon. Members made the suggestion in general about Prof. Kaldor's suggestion and expenditure tax in general. I would like to suggest that this matter has been suggested. If we take Prof. Kaldor's suggestion, it was not in isolation when he said about the expenditure tax but he also mentioned about lowering the income tax rate much substantially and wealth tax, income tax and estate duty together. There is a composite scheme in it and after careful consideration and after introducing the Bill, after some years the experience showed that the collection was not upto the expectation and there were many practical and obvious difficulties to a common man, to a common tax payer and therefore, it was abolished. I think, in the latest report of Chelliah Committee, which possibly is under the consideration of the Government, will reveal the results but our understanding is that possibly, even the latest Committee has not favoured a general expenditure tax and therefore this suggestion needs a careful consideration though the bigger issue of black money is a different issue for which deterrent steps

should be taken by the Government and those steps are being taken and there are many other ways, in which, we have to, keeping in view the present situation. In the present-day situation, with such economic policies, we can try to ensure that black money is not generated and those who are generating black money should be given severe penalty. But that is not a substitute for Expenditure Tax for all the people. It will not help the common man who is having taxable income. It has been found from experience that it is extremely difficult. The basic policy of the Government is that there should be deterrent punishments to black-marketeers and generation of black money. There are specific provisions in regard to all types of star hotels above three star hotels. Those who can afford to spend there, those who go in for parties there, should be taxed. The tax should be in respect of other aspects and not on room rent.

In the light of what I have stated, this is a progressive Bill and I support the Bill whole-heartedly.

श्री कल्पनाथ राय (उत्तर प्रदेश) : आदर्शपूर्ण उपसभाध्यक्ष महोदय, सरकार जो एक्सपेंडिचर टैक्स बिल लाई है, मैं उसका स्वागत करता हूँ। यह कदम एक समाजवादी कदम है। किसी विकासशील देश में दो तरह की इकनामी होती है एक कंज्यूमर ओरिएण्टेड इकनामी और एक प्रोडक्शन ओरिएण्टेड इकनामी। मैं सरकार से यह प्रार्थना करता हूँ कि प्रोडक्शन ओरिएण्टेड इकनामी को सरकार प्राथमिकता दे और यह जो बिल लाया गया है यह उसी दिशा में एक कदम है।

"WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC and to secure to all its citizens:

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

[श्री कल्पनाथ राय]

EQUALITY of status and of opportunity; and to promote among them all;

FRATERNITY assuring the dignity of the individual and the unity and integrity of the Nation."

आदरणीय उपसभाध्यक्ष महोदय, हमने संविधान के माध्यम से समाजवाद की स्थापना का एक संकल्प लिया है। मैं सरकार से निवेदन करना चाहता हूँ कि सरकार यह घोषणा करे कि अगले 10 वर्षों तक हिन्दुस्तान में कोई फाइव स्टार होटल नहीं बनेगा। जिस मुल्क में 30 प्रतिशत लोग गरीबी की रेखा के नीचे रहते हैं उस मुल्क में विलासिता की वस्तुओं को बढ़ावा देना उचित नहीं है। आदरणीय उपसभाध्यक्ष महोदय, आज देश में बड़ी चर्चा है—एक हमारे भूतपूर्व वित्त मंत्री विश्वनाथ प्रताप सिंह आजकल कहते फिर रहे हैं कि मैं लेफ्ट टु द सेंटर में विश्वास रखता हूँ। जब तक ये वित्त मंत्री रहे इन्होंने राइट टु द सेंटर पालिसी का अनुसरण किया। उनके वित्त मंत्रित्व काल में हिन्दुस्तान में हाइएस्ट मल्टी नेशनल कम्पनीज को आने का मौका मिला। हाइएस्ट इम्पोर्ट लिबरलाइजेशन हुआ, एम० आर० टी० पी० की सीमा रेखा 20 करोड़ से बढ़ाकर 100 करोड़ कर दी गयी, माडवेट के माध्यम से पूंजीपतियों को लाभ पहुंचाने की कोशिश की गयी। लॉग टर्म फिस्कल पालिसी से पूंजीपतियों को लाभ पहुंचाने की कोशिश की गयी और इन्कम टैक्स में भारी लाभ देकर पूंजीपतियों को लाभ पहुंचाने की कोशिश की गयी यानी पूरी पालिसी राइट टु द सेंटर रही और अब जनता को गुमराह करने के लिए लेफ्ट टु द सेंटर की बात करते हैं। लेफ्ट टु द सेंटर पालिसी कांग्रेस की रही है। पंडित जवाहर लाल नेहरू ने लेफ्ट टु द सेंटर पालिसी को इस मुल्क में अपनाया और प्रोडक्शन ओरिएण्टेड इकनामी की नींव, प्लानिंग कमीशन और प्लानिंग के माध्यम से हिन्दुस्तान में डाली। हिन्दुस्तान से सेल्फ रिलायंस और नान एलायंस की पालिसी को परस्यू किया और सन् 1947 से सेल्फ

रिलायंस की पालिसी के कारण, प्लानिंग की पालिसी के कारण, और प्रोडक्शन ओरिएण्टेड पालिसी को प्राथमिकता देने की पालिसी के कारण ही आज हिन्दुस्तान षि के मामले में आत्मनिर्भर दुनिया की तीसरी टेक्निकल नांहाउ 3 P. M. पावर, अटॉमिक पावर, स्पेस पावर, इंडस्ट्रियल पावर यह जो बना, वह हमारे नेताओं के कारण बना है। श्रीमती इन्दिरा गांधी ने अपने सारे जीवन में लेफ्ट टु द सेंटर पालिसी को चलाया। हमारे देश के प्रधान मंत्री, श्री राजीव गांधी ने प्रधान मंत्री बनने के बाद ही तुरन्त —

"I reaffirm my faith in the policy of socialism."

यह उन्होंने कहा।

आदरणीय उपसभाध्यक्ष जी, मैं सरकार से कहना चाहता हूँ कि हिन्दुस्तान जैसे विकासशील देश में प्रोडक्शन ओरिएण्टेड इकानमी को कम से कम दस साल तक युद्ध स्तर पर चलाया जाए और कंज्यूमशन ओरिएण्टेड इकानमी पर सख्ती से पाबंदी लगाई जाए। कनज्यूमिज्म या फाईव-स्टार होटल, यह सब कंज्यूमर ओरिएण्टेड इकानमी के प्रतीक हैं। जिस मुल्क में 32 करोड़ एकड़ जमीन है और अभी 12 करोड़ एकड़ जमीन पर सिंचाई की व्यवस्था हुई है, 20 करोड़ एकड़ पर सिंचाई की व्यवस्था नहीं है, मैं सरकार से कहता कि यह एक्सपेंडिचर टैक्स, इन्कम-टैक्स की जगह एक्सपेंडिचर टैक्स अगले दस साल तक लगाया जाए। एक तरफ इस मुल्क में कुछ मूट्ठी भर जोग, 15-20 प्रतिशत लोग ऐश-इशरत की जिंदगी जिएं और 80 प्रतिशत लोग दिन-रात मेहनत करने के बाद भी मोटा कपड़ा, छोटा सा साफ-सुथरा सक्नान, दवा तथा शिक्षा की व्यवस्था न कर पायें, मुल्क के करोड़ों लोग बेघर हों, मुल्क के अन्दर इस तरह के काम के लिए एक्सपेंडिचर टैक्स लगाना चाहिए और हिन्दुस्तान के रेवेन्यू को बढ़ाने के लिए एक व्यापक पैमाने पर इन्कम-टैक्स—

Income tax should be replaced by expenditure tax.

यह विकासशील देश के लिए अति आवश्यक है।

उपसभाध्यक्ष जी, सरकार ने जो कदम उठाया है, यह बड़ा सराहनीय है, मगर इस कदम से ही काम नहीं चलने वाला है। हमारे मुल्क में आज ब्लैक मनी की चर्चा होती है। ब्लैक मनी जेनरेट कैसे होता है? आज इस मुल्क में जो तस्कर हैं, वह बंगला देश की सीमाओं पर, पाकिस्तान की सीमाओं पर, बर्मा के बाईर पर समुद्र के रास्ते से जो तस्कर होते हैं, उन तस्करों को रोकने के लिए वैज्ञानिक तरीके और कठोर दण्ड की प्रक्रियाएं अपना कर ही हम स्मगलिंग को रोक सकते हैं।

हिन्दुस्तान में स्मगलिंग ही ब्लैक मनी का एक बहुत बड़ा कारण है। हमारे मुल्क में जो बड़े-बड़े राजे-रजवाड़े हैं उन्होंने कई-कई हजार एकड़ जमीन भूमि सुधार होने के बाद भी हड़प रखी है जो अपने हीरे-जवाहरात अरबों-खरबों की दौलत को बेच कर के ऐय्याशी की जिदगी जीते हैं और सारे कानून-कायदे को तोड़ कर मुल्क में रहते हैं इन सारी चीजों पर भी सरकार को ध्यान देना चाहिए।

उपसभाध्यक्ष जी, सरकार ने इस एक्सपेंडिचर टैक्स का जो कदम उठाया है जो अपनी दिशा सरकार ने जाहिर की है उसकी हम सराहना करते हैं और यह प्रार्थना करते हैं कि सरकार प्रोडक्शन औरिएण्टेड इकनामी को ही अपने अगल वित्त बजट में और अपने अगली पंच-वर्षीय योजना में प्रोडक्शन औरिएण्टेड इकानमी को ही प्राथमिकता दें और जब तक हिन्दुस्तान की एक-एक एकड़ जमीन पर सिंचाई की व्यवस्था नहीं हो जाती—आज मुल्क में एक तरफ सूखा पड़ा है, दूसरी तरफ बाढ़ आई है, मुल्क का 80 प्रतिशत पानी बह कर समुद्र में चला जाता है। सरकार के सामने जब बात आती है कि सिंचाई की व्यवस्था हो, तो सरकार के पास रेसोर्सेज की कमी है। तो मुल्क में ऐसी वैज्ञानिक व्यवस्था होनी चाहिए

और अगली पंच वर्षीय योजना में सरकार को एक बात केवल करनी चाहिए कि आठवीं पंच वर्षीय योजना में हम हिन्दुस्तान में बाढ़ और सूखे की समस्या को हल करने के लिए हिन्दुस्तान की 32 करोड़ एकड़ जमीन पर सिंचाई की व्यवस्था करेंगे, एक ईंच जमीन भी हम अस्सिचित नहीं रहने देंगे। आठवीं पंच वर्षीय योजना में पानी की व्यवस्था हम ऐसी करेंगे और पानी का हम नेशनल ग्रिड बनायेंगे, जो पूर्व-पश्चिम और उत्तर-दक्षिण, जहां पानी की कमी है, वहां पानी पहुंचाया जाएगा।

हम वाटर का एक नेशनल ग्रिड बना करके पूरे देश को एक शक्तिशाली, विकसित राष्ट्र बनाने का प्रयास करें और यही हमारा लक्ष्य होना चाहिए।

इन्हीं शब्दों के साथ हम इस विधेयक का समर्थन करते हैं। धन्यवाद।

SHRI JAGESH DESAI (Maharashtra): Mr. Vice-Chairman, Sir, I rise to support this Bill.

Sir, I am the happiest Member in this House now so far as this Bill is concerned. In 1973, when I was a Member of the Maharashtra Legislature, in my second budget speech, I had recommended to the State Government three taxes, namely, a tax on those hotels where the daily room rent was more than Rs. 100/-, a tax on those hotels where the food bill was more than Rs. 20/- I am talking of 1974 now—and a tax on luxury flats where the carpet area was more than 750 sq. ft. in which case the Government should charge a tax on such flats on a slab basis so that those who wanted to live in luxury flats could live, but they would have to pay more for it. The same thing the Government is more or less doing now.

One important aspect of the Bill is this: You have kept four hundred rupees as the limit for one person on daily rent in a hotel and food and drinks are not included. A demand has been made from the Members in this House and in the Lok Sabha also that this limit of four hundred rupees

[Shri Jagesh Desai]

is very high and, so, I would like to suggest a *via media*. If the room rent and the cost of food and beverages come to more than four hundred rupees, then, in that case, this tax should be levied. Sir, I do not want to enter into any argument with Kalpnath Rai Ji. But let us understand one thing: Whatever policy is framed by any Minister—may be it is the Finance Minister or the Industry Minister or any other Minister—is the policy of the Government; it is the policy of the entire Government. If in implementing the provisions of a Bill they have done something wrong, they should be punished. But to say that because it was done by Mr. V. P. Singh it is not good, is not correct. I do not think that it is correct. It is the policy of the Government and if the Government feels that something is wrong somewhere, then the Government must come forward and change that policy. Yesterday also, Sir, in one of the conferences this was witnessed. I was surprised to read that in the Socialist Forum Conference it was said that the Estate Duty was abolished and it was done by Mr. V. P. Singh and, therefore, it was bad. If a tax is levied or abolished, just because it was done by Mr. V. P. Singh you should not say that it is bad. This is not the way in which we should behave. We should know where the fault lies. You find out the fault of the Minister and punish him. But, every now and then, only to say, because we are not agreeing with Mr. V. P. Singh, that what he did was wrong is not correct. Please do not do these things. The people are not going to listen to this.

Sir, I again tell all the honourable Members: Let us all work as a team and see that the Government's policy is fully implemented. For the past one and a half years or so I have been saying that the policy of the Government under the dynamic leadership of Shri Rajiv Gandhi is a very progressive policy and we are definitely going towards the goal of socialism. This is one of the mea-

sures taken by the Government and I am sure that with this type of measures that will be taken by the Government we will see that our goal of socialism to which we all are wedded is achieved.

With these words, Sir, I support the Government policy and the Bill. Thank you, Sir.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Now, Mr. Poojari.

SHRI JANARDHAN POOJARI: Sir, I am grateful to the hon. Members for taking part in this debate. Sir, it is a simple and straight-forward Bill. The hon. Members have stated that we should reduce the disparity and they have also contended that stern action should be taken against economic offenders and also there should be a stern measure against black money. In this context I have to state that it is the commitment and political will of the Government. We are against economic offenders and also we have been taking steps against economic offenders. So far as this aspect is concerned, there is no compromise.

Coming to the provisions of the Bill, hon. Members have made very valuable suggestions—particularly hon. Members Shriman Mattoji, Shriman Valiullah, and Shriman Kapil Verma, Mr. Sahu, Mr. Sukul and Mr. Rameshwar Thakur made very good suggestions. Mr. Kalpnath Rai has said that we should go in for Socialism and disparities should be reduced. We fully agree with him also.

Shri Desai was saying that he is very happy today to see the Bill. He was of the opinion that this measure should have been taken much earlier. I also fully agree with him. This should have been done earlier.

Now, coming to the Bill, this measure is against black money and by this measure we are curbing the wasteful expenditure so that a larger amount is available for investment in the developmental activities in the country.

Some of the doubts which have been raised by the hon. Members have been ably dispelled by Shri Thakurji. I do not want to go into the details. This Act is applicable to hotels where the room rental is more than Rs. 400 or more. Sir, here also I would like to submit that if for one room the rental is Rs. 400 and for other rooms it is less than Rs. 400, even then this Act is applicable. If the moneyed people are going to that hotel to take their food and the food costs Rs. 100, 10 per cent tax will be levied. An hon. Member has made a point that we have to discourage this and we have also to mop up resources from these moneyed people and we must discourage people going to the 5-star and big hotels. Then, I can say, Sir, that this is the measure we have taken to achieve that objective.

A point was raised that it is discriminatory so far as foreign tourists are concerned and so far as Indian tourists are concerned, and we have to refer this matter to legal experts. Sir, this measure has been taken with a view to encouraging the tourist traffic and also we have to conserve foreign exchange. Hon. Members know that in order to boost exports also, in order to earn foreign exchange we give so many types of subsidies. Here this measure is to encourage foreign tourists particularly. I hope that Mattoji will support this.

**SHRI GHULAM RASOOL MATTO:**  
I support.

**SHRI JANARDHAN POOJARI:**  
Now, the total amount we might get in the form of expenditure tax per year is about Rs. 50 crores. Hon. Members made a point that the State Governments should also get a share. I would respectfully submit that the whole of it will come to the Central Government. Nothing will be paid to the State Governments because it is not Income-Tax. So far as Income-

Tax is concerned, 85 per cent goes to the States. Sir, it is our duty to help the State Governments. So far as Expenditure Tax is concerned, it will go to the national kit and from there it will go to the States. More resources have to be made available to the States. Therefore, we have taken steps last year and we have earned more money in the form of Income-Tax due to the efforts of the Finance Department. For the information of the hon. Members, I may submit that last year the budget estimate for income-tax was Rs. 5711 crores against which we collected Rs. 6028 crores. The excess collection was Rs. 317 crores. In the case of Expenditure Tax, we are left with only 4 months. If it becomes effective from 1.11.1987, we may collect Rs. 20 crores.

[The Vice Chairman (Shri Jagesh Desai): in the Chair].

Our expectation is that we will collect about 50 crores every year. This year we have collected Rs. 317 crores more and 85 per cent of these Rs. 317 crores will go to the States. This is the point I want to make. We don't say that the Centre should not give more to the States. We should give more to them. Due to the steps taken by the Government in order to mop more resources, we have made some progress. Up to July, 1987 in the current year, 4250 searches were conducted under the IT Act. I am saying this because there is an impression that after the charge of the Finance Ministry was taken over by our Prime Minister, action against economic offenders has been slowed. The facts will show that up to July, 1987, 4250 searches were made under the Income-Tax Act as against 2844 searches in the corresponding period last year. Up to July, 1987, the value of the assets seized is Rs. 60.54 crores as against Rs. 31.52 crores during the corresponding period last year. There has been an increase of 49.04 per cent in searches and 92 per

[Shri Janardhan Poojari]

cent in the value of the assets seized during January-July 1987 as compared to the same period in 1986.

There has been a spectacular increase in the detection of excise duty evasion during January-July 1987. The amount of duty evasion detected during this period is Rs. 1040 crores as against only Rs. 539 crores in the whole of last year of 1986. The policy of the Government has not changed. It is the same when the former Finance Minister was there and when the Prime Minister was holding the charge of the Finance Ministry. On the contrary, the Prime Minister has taken more steps. He was very effective as the Finance Minister of the country. The amount of duty evasion detected during this period is Rs. 1040 crores as against Rs. 539 crores in the whole of 1986. There has been an increase of 92 per cent in the detected amount in these seven months as compared to the whole of 1986. Even big industrialists were not spared during this period. The major companies involved in evasion are India Tobacco Co. Ltd., Godrej Boyce Manufacturing Co. (Pvt.) Ltd., Lohia Machines Limited, M/s Tata Engineering and Locomotive Company, M/s Tata Iron and Steel Company, M/s Godfrey Philips India Ltd. and M/s Kelvinator India Limited. I have not got all the names of all the people. We have not spared any person. And in the morning also some points have been made that we are shutting, we are concealing and that we are not coming with full facts. The Government is committed to the fact that we will not conceal anything. No information will be concealed. The Prime Minister has made it very clear that nobody will be spared and no information will be concealed. And even he has made it very clear that everything will be placed before the Parliament. And this is the political will of our Government, of our Congress Government headed by the Prime Minister.

Now, coming to the drive against smuggling, the drive against smuggling is also continuing with full vigour. Up to July, 1987, the total value of the contraband seized was Rs. 132.58 crores which compares very favourably against the total value of the contraband seized for the whole year of 1986 which was Rs. 217.5 crores. One of the important items of smuggling is gold. Up to July, 1987, 1235 kgs. of gold was seized as against 2181 kgs. of gold seized during the whole period of 1986. Economic offenders are also being arrested, prosecuted and detained without any let-up. Up to June, 1987, for which period the figures are available, 212 persons were arrested, 1,483 persons were prosecuted, and 662 were detained under the COFEPOSA. The total tax collected in the first four months of this financial year, upto July, 1987, is Rs. 9,942.54 crores as against Rs. 8,861.06 crores for the corresponding period in 1986-87. It represents an increase of Rs. 1,081.98 crores in absolute terms and 12.2 in percentage.

Sir, as you have stated, it is the policy of the Government headed by Mr. Rajiv Gandhi—Poojari may be there or some other individual may be there—it is the policy of the Congress Government—our objective and our direction is very clear—that we are against the blackmarketing, we are against the economic offenders. The Prime Minister has made it very clear to the nation that we are not going to spare any person. Even if it comes to Poojari, the Prime Minister is not going to spare any person. And we are also not going to conceal anything. All the information will be made available to the Parliament. The Prime Minister has not stated that he is going to conceal anything. But, unfortunately, I was pained to see in the morning, an impression is being created to create confusion. They want to create confusion everywhere, in every State and also doubt in the minds of the people, in the nation. After all, nobody is going to

believe any one of them. Instead of giving concrete suggestions on how to proceed, they are trying sometimes to create confusion. I don't think the country will be benefited by this.

Sir, I do not want to take much time of the House. I would only submit that the Bill has received the valuable support from all sections of the House; particularly I thank the Opposition Members for their whole-hearted support. With these words, Sir, I conclude.

**SHRI RAOOF VALIULLAH:** I had mentioned about the drought surcharge. I just want to know whether the Government is considering the levy of a drought surcharge like the expenditure tax on conspicuous consumption, air travel, air-conditioned travel in the train, etc.

**SHRI JANARDHAN POOJARI:** Sir, the hon. Members, Particularly Mr. Valiullah and some other Members made valuable suggestions. For the information of the hon. Member, I may say that whenever we take a decision, you people are coming into our mind and your suggestions are noted when the action is being taken.

**THE VICE-CHAIRMAN (SHRI JAGESH DESAI):** The question is:

"That the Bill to provide for the levy of a tax on expenditure incurred in certain hotels, as passed by the Lok Sabha, be taken into consideration."

*The motion was adopted.*

**THE VICE-CHAIRMAN (SHRI JAGESH DESAI):** We shall now take up clause-by-clause consideration of the Bill.

*Clauses 2 to 33 were added to the Bill.*

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

**SHRI JANARDHAN POOJARI:** Sir, I move:

"That the Bill be returned."

*The question was put and the motion was adopted.*

## THE LEGAL SERVICES AUTHORITIES BILL, 1987

**THE MINISTER OF STATE IN THE MINISTRY OF LAW AND JUSTICE (SHRI H. R. BHARDWAJ):** Sir, I beg to move:

"That the Bill to constitute legal services authorities to provide free and competent legal services to the weaker sections of the society to ensure that opportunities for securing justice are not denied to any citizen by reason of economic or other disabilities and to organise Lok Adalats to secure that the operation of the legal system promotes justice on a basis of equal opportunity, as passed by the Lok Sabha, be taken into consideration."

Sir, article 39A of the Constitution provides that the States shall secure that the operation of the legal system promotes justice on the basis of equal opportunity and shall in particular provide free legal aid by suitable legislation or scheme or in any other way to ensure that opportunities for securing justice are not denied to any citizen by reason of economic or other disabilities.

In pursuance of the above objectives, the Government constituted two expert committees, one in 1973 headed by Shri Justice V. R. Krishna Iyer, the then judge of the Kerala High Court and a Member of the Law Commission of India, and the other in 1976, headed by Shri Justice P. N. Bhagwati, the then judge of the Supreme Court. In the light of the recommendations contained in the reports submitted by these committees of the Government a commit-