

ted. Unfortunately, that day there was a call for Gujarat bandh and some sections of the society did not close their shops. Some people approached them and threatened them that if they did not close the shops, they would face the consequences. That very day, in the evening this communal turn was given to the entire thing. I would not like to divulge the names of those people, those sections of the society, who had threatened some of these people. This was actually substantiated in the evening by burning some of the shops which belonged to a particular community?

SHRI M. KALYANASUNDARAM: Minority community?

SHRI S. B. CHAVAN: I do not think it will be proper on my part to name any community. I do not want to be instrumental in fanning the trouble. *(Interruptions)* Madam, the hon. Members will come to know from this that these were the only reasons for this. There are some chronic areas in Ahmedabad. Whenever there is even the slightest excuse, the trouble always starts from those areas. This is the exact position. I enquired from the Police Officers and also from the Chief Minister whether they have a list of these anti-social elements who, under the slightest pretext, try to take fullest advantage of the situation prevailing in that area. He gave me to understand that they are maintaining such a list and that almost 300 people had been picked up immediately after the situation took a communal turn. So, necessary precautionary steps have been taken. I must say that the police force have acted very firmly and very promptly. I am very happy to say that in matters which are communal the attitude of the State Government was very firm. Come what may, they would deal with the situation in a firm manner without giving any cause for complaint to any section of the society that they were lenient to this area or that area. Whosoever was involved got it. When I went to the hospital and talked to some of the injured people—I can well understand their feelings—said: “We were

not involved in this and unnecessarily the bullet hit us.” I said: “When there is curfew, you are supposed to take full precautions not to go out. If you went out of your house and did not listen to the instructions which were given by the Police Officers, then even the innocent can be victims and that is why, you have to obey them properly.”

Madam, so far as relief measures are concerned, they are trying to find out what exactly is the total damage to the houses which were burnt and to the shops which were burnt. Thereafter, the total relief will be given. In the case of those who have been killed or those who have been injured, the total relief given so far is about 20,000 rupees in case of death of a person and the work is still in progress. They will be able to finalise it very soon. Before I left Ahmedabad, I asked them to take the relief measures quickly and to open some relief camps in that area so that the poorer sections of the society who are normally the victims in such incidents are given proper relief which they badly required. This is all that I wanted to explain.

SHRI LAL K. ADVANI: Do you propose to take any steps at the Central level to see that some consensus is evolved on this ticklish issue? *(Interruptions)*

SHRI S. B. CHAVAN: I do not think this is the proper occasion for me to explain the kind of attitude that we would like to adopt. We can use some other occasion for discussing this issue.

THE DEPUTY CHAIRMAN: We will resume the discussion.

THE BUDGET (GENERAL) 1985-86— GENERAL DISCUSSION—Contd.

MISS JAYALALITHA (Tamil Nadu): Madam Deputy Chairman, the Central Government's Budget for 1985-86 is fully in harmony with the general feeling of euphoria which is now prevalent all over the country. This euphoria is not confined to the urban areas nor is it limited to the wealthy or middleclass or poor or any one particular segment or our society. The

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euphoric is universal. It is in reality a deep, long-felt, fervent desire for change, change for the better. And this mood of euphoria has overtaken the nation because now at last we have a youthful and dynamic Prime Minister, Shri Rajiv Gandhi, who in his own person symbolises that desire for change. Shri Rajiv Gandhi has fired the imagination of all sections of the population by holding out the promise of bringing about this long-awaited and much-needed change, and has inspired the hope that he will indeed fulfil this promise.

The Budget on the whole strikes a happy note and is entirely in consonance with the plans, aspirations and dreams our young, ebullient Prime Minister has for this ancient nation.

His equally youthful and talented colleague, the Union Finance Minister, Shri Vishwanath Pratap Singh, who has proved that he is gifted with prescience, deserves the highest praise for presenting a bold and innovative Budget which can be described as the most important Budget since Independence. It is not an exaggeration to say that the Finance Minister, Mr. V. P. Singh has covered himself with glory by presenting this Budget which reflects the vision and image of a Government keen and intent on progress, with an emphasis on removing fetters on growth. Wide-ranging incentives have been provided to give the maximum possible impetus to growth-oriented industries like electronics, and to promote technological innovations in industry.

There is an earnest desire to usher in an era of greater social justice through a package of schemes aimed at providing a measure of social security to the poorest of the poor. Impressive structural reforms, resulting in simplification and liberalisation in area of taxation have been introduced, both in the individual and the corporate sectors.

This Budget is characterised by boldness, coupled with judiciousness. It shows that this Government is not afraid to break away from the shack-

les of self-defeating traditions. In short, this Budget has something positive in it for everyone. There has been a sincere attempt to cover all sections of the population and all areas and aspects of the economy.

Coming to specifics, the salient features of the Budget which elicit unanimous praise and approbation are: The Crop Insurance Scheme with low insurance charges and subsidy to marginal and small farmers; and the increased subsidies on domestic and imported fertilisers. These measures are indeed a boon to agriculturists. The Social Security Scheme to cover the risk of death by accident in respect of earning members of poor families comprising landless labourers, small and marginal farmers, traditional craftsmen and others not covered by any insurance scheme or workmen's compensation arrangements shows the Government's genuine concern for the weakest section of our society. In the realm of industry, the proposal to introduce special legislation for sick units is laudable. In fact, I would say that the most significant and forceful feature of this Budget is that mismanagement of industry is now going to be treated as grave offence. In particular, I welcome the Finance Minister's statement that those who are deemed to be responsible for mismanagement will not have access to assistance from financial institutions even in new ventures. It had become an accepted fact in our country that industrialists made themselves rich at the expense of the industries involved, and needless to say, at the expense of the hapless workers employed in these units. Over the years, it had become the norm, the usual practice for industrialists to declare their units sick and order closure, thereby victimising the poor workers who were laid off, and also coolly and nonchalantly crying a halt to industrial growth, while the industrialists themselves walked away with their personal coffers enriched to begin the same process all over again elsewhere. By squarely laying the onus for reporting sickness on the Manage-

ment of the units themselves, the Finance Minister has evolved a bold and positive new policy. To quote the Finance Minister's own words, 'Bad' Managers, like bad currency, have to be kept out of circulation,' and this new policy, if strictly adhered to, will definitely ensure that they are kept out.

The proposed establishment of a new Corporation to rehabilitate sick units or promote the merger of profitable and weak enterprises is equally welcome.

At long last, workers have been given due recognition as the real backbone and builders of the nation. By the decision to introduce the necessary legislation so that legitimate dues of workers rank *pari passu* with secured creditors such as banks in the event of the closure of the company and by the declaration that the workers' dues will rank above even the dues to the Government, the Finance Minister has elevated the status of workers all over the country. Workers' participation in management is essential, and I hope the Government of India will speed up the introduction of the proposed scheme to encourage this.

The raising of the Bonus limit to Rs. 1600 per month from Rs. 750 and the elevation of the ceiling of the Death-cum-Retirement Gratuity from Rs. 36,000 to Rs. 50,000 for Central Government employees are also very welcome measures.

The structural reforms in the system of personal taxation are such that at least honesty will become a practical proposition. Until now, there were many taxpayers in this country who were not chronically dishonest, and who really had no desire to evade taxes and get into trouble. But the imposts were such that they would take away a man's entire income altogether if he genuinely tried to be honest. Our earlier taxation laws themselves proved to be a formidable barrier against honesty,

and indeed worked as a disincentive and discouragement to those who were basically honest.

By abolishing the surcharge on income-tax, by lowering the effective tax rate in the highest bracket from 67.5 per cent to 50 per cent, by giving reliefs all down the line and reducing the number of slabs from nine to just four, and raising the exemption limit from Rs. 15,000 to Rs. 18,000 a year, at one stroke, the tax structure has been vastly simplified. As a result, out of 40 lakh taxpayers nearly 10 lakhs will not be freed from the tax net altogether.

The abolition of estate duty and compulsory deposit are also welcome measures.

The Compulsory Deposit Scheme served no other purpose except to act as an irritant to already harassed taxpayers. The abolition of compulsory deposit evokes a huge collective sigh of relief from millions of assesses, which I am sure must be echoing in the Finance Minister's ears. Though the repayment of compulsory deposit made by the taxpayers in the past has been postponed by one year, interest will accrue to it. This cautionary measure is understandable and justified because of the need to restrain excessive expansion of the money supply and the necessity to impound a part of the banks' loanable funds, to ensure a stable and balanced economy.

Among the plethora of other concessions and reliefs offered, the most noteworthy are: (a) the proposal to raise the monetary ceiling on the exempt amount of retrenchment compensation received by industrial workers from Rs. 20,000 to Rs. 50,000 and, the exemption to imported wood pulp and wood chips from customs duty.

I wholeheartedly endorse the reduction of customs duty on medical equipment such as Nuclear Magnetic Resonance Scanner, CAT scanner and Linear Accelerator to 45 per cent and

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valorem. With regard to sophisticated medical equipment for which no indigenous substitute is available in our country, I request the Finance Minister to consider doing away with customs duty altogether. As it is, the actual cost of such imported equipment is prohibitive. Only very wealthy medical practitioners and a few big medical institutions are able to afford to import them. By totally exempting such highly sophisticated medical equipment from customs duty, and if possible, by subsidising the import of such equipment by smaller medical institutions, the Government of India will be taking a step forward to put the best, most advanced medical treatment within the reach of the common man.

The scheme to give suitable concessions to sportsmen is very welcome, and it shows that the Finance Minister has not let any area escape his searchlight. I only wish that in his speech, the Finance Minister had also included the word "sports-women", because on some occasions our sports women have distinguished themselves and done India proud, far better than sportsmen.

SHRI VISHWANATH PRATAP SINGH: I can rely on the sports spirit of the women.

MISS JAYALALITHA: The proposal to dispense with the requirement of taking out licences for television sets, radios and VCRs is bound to be welcomed by all.

Exemption of excise duty for the small scale sector is also a step in the right direction to encourage growth.

The provision of free education for girls up to the higher secondary level is a measure that deserves unstinted praise, and in this regard I am reminded of the words of Maxim Gorky "The measure of culture is one's treatment of women."

So far all my remarks have been positive and highly appreciative. They can be regarded collectively as Part 'A' of my speech.

Now, I come to Part 'B' of my speech. I do hope that my following remarks will not be construed as negative criticism, but viewed in the proper perspective as well meaning, friendly suggestions.

At the outset of the latter part of my speech, first I would like to make a general point.

Under our administrative system, all schemes of development and welfare measures of the Government ultimately have to be implemented through the civil service.

This civil service, however, has not been freed from the enervating mental tension caused by petty economic worries due to the practical difficulties of making ends meet with regard to the requirements of daily living.

A discontented, dispirited, grumbling civil service will not be able to effectively assist the Government in transforming or translating into reality, its dreams of taking the nation forward into the 21st century, on a par with the most highly developed countries in the world.

I have been informed through reliable sources, that while the emoluments at the lowest levels or rungs of the civil service have gone up three times, i.e. by 300 per cent between the period 1973-1975, those at the highest levels have gone up by only 70 per cent during the same period. These increments have hardly kept pace with inflationary spirals and the consequential economic pressures, besides suffering further erosion by taxation. The pay at the highest levels in the civil service, in net terms, is actually less today than what it was in 1973.

Here is an area where bold and innovative measures are definitely

called for. In fact, they are sorely needed and long overdue.

Some reliefs in areas like housing, transport etc. are necessary for the civil service. Needless to say, it is at the highest levels of the civil service that the ultimate responsibility lies for implementing any and all progressive schemes, of the Government. As such, it is essential to ensure a modicum of relative freedom from petty economic worries for those engaged in this service.

I am well aware that charges of elitism could possibly be levelled against the Government if such reliefs are provided. However, such considerations do not take away the substance from the main thrust and logic of my argument which is, that the agency for implementing the various programmes of the Government namely the civil service has to be a contented one, if it is to function wholeheartedly as a committed partner of the Government in the development process of the nation.

It is in the larger interests of the nation to have a contented, committed, responsible and honest civil service, rather than encourage corruption and slackness in this most vital area, by not providing the sorely needed relief which is long overdue to it.

An outlay of Rs. 400 crores has been announced for the Rural Landless Employment Guarantee Programme. The Finance Minister himself has stated that this allocation has been kept at the same level as in the current year. I strongly submit that this amount is insufficient and has to be enhanced. We have to bear in mind that now educational institutions in the country are larger in number, and as a natural corollary, the number of educated unemployed youth is also increasing.

With regard to the increased duty rates prescribed for household, laundry

and toilet soaps, I very strongly feel that this measure could have been avoided. The Finance Minister himself admits that the incidental revenue gain from this measure is only Rs. 1 crore. The common man will be hard hit by this measure. After all, cleanliness is next to godliness, and household, laundry and toilet soaps can hardly be considered luxury items. These are essential items which are a prerequisite for cleanliness. It will not do at all to put items such as soap out of reach of the poor.

The Finance Minister is a man gifted with imaginativeness, and I am sure he will be able to conjure up without much difficulty in his mind's eye, an image of an India populated by hordes of unwashed foul-smelling people wearing soiled clothes emitting an even more offensive odour, living dirty unclean dwellings—all because they cannot afford to buy household, laundry and toilet soaps.

There is already a budgetary deficit of Rs. 3985 crores. A deficit of just one more crore of rupees is not going to make much difference to the Budget. When the Government of India feels it can meet deficit financing to the tune of Rs. 3985 crores, it can very well manage to find one more crore of rupees in the interests of the common man.

By scrapping this measure, which would bring in a revenue of only Rs. 1 crore, the Government would be benefiting innumerable crores of Indian citizens, and the common people of India would be eternally grateful to the Finance Minister for doing away with the increased duty rates on soaps. Even now it is not too late, it can be done, and on behalf of crores and crores of common people of India, I earnestly beseech the Finance Minister to scrap the additional duty on soaps.

In addition, I entreat the Finance Minister to look into the possibility of further lowering the existing duty rates on soaps, so as to make cleanliness, a cheaper and more viable proposition for the common man.

Auxiliary duty on crude petroleum has been raised from Rs. 100 to Rs. 300 per tonne. In addition, a basic customs duty of 10 per cent *ad valorem* is also proposed to be levied. I admit that the import price of oil has been rising sharply due to the appreciation of the dollar in which oil prices are designated and therefore, probably the Finance Minister had no other option but to drastically increase the levy on crude oil. But it is my duty to point out that this increased levy coupled with increase of freight rates in the Railway budget, cannot but affect one and all. Inter-State movement of all kinds of goods including foodgrains such as rice and wheat is an integral part of our economy. This inter-State movement of goods has to be either by road or by rail. Now that both have become costlier, the cost of both production and distribution of goods will go up at least by ten per cent. Ultimately, it will be the consumers who will be the worst sufferers as the prices of practically all goods are bound to go up.

Increased electrification is vital if the country is to make real progress. It is stated in the Budget that by the end of the Sixth Plan period, additional power generating capacity to the extent of 14,000 MW would have been added. This is hardly sufficient for a country which plans to take rapid strides forward in the spheres of industry, science and technology, and not at all adequate if the Government means to fulfil its dream of taking India into the 21st Century on an equal footing with other developed nations. I fully appreciate the Finance Minister's decision to complete projects already under implementation rather than taking on new ones. I also agree that it is wise and prudent to provide more for projects which are in an advanced stage of execution and which can be commissioned more speedily so that the benefits can start flowing to the economy as early as possible. Nobody can disagree with the wisdom and necessity of these decisions. Yet, I feel, sufficient emphasis has not been laid on increased power gene-

ration in the Budget, and this is one area that we cannot afford to neglect at any cost. Electrification is the one thing on which the whole country depends, and will have to depend upon increasingly in the years to come, if we are to make any real, meaningful progress. Viewed in this perspective, the additional power generating capacity of 14,000 MW is woefully inadequate and falls far short of the real needs of the country. More emphasis should be laid on increased power generation and the necessary funds for it have to be found somehow.

The Finance Minister has emphasised in his Budget speech the importance of the need to conserve scarce foreign exchange. There is a huge balance of payments, repayments to the International Monetary Fund loan etc. and India needs all the foreign exchange it can get.

In this context, I wish to point out the marine industry of Rameswaram should not be neglected. Before the outbreak of the ethnic strife in Sri Lanka with its fall-out of refugees and the subsequent attacks on the fishermen of Rameswaram by the Sri Lanka Navy, Rameswaram was able to record a turnover of Rs. 20 lakhs every month through fishing alone. Middlemen used to buy the catch from the fishermen at Rs. 10 to Rs. 15 per kg. and sell it to wholesalers for exports at about three times the sea-shore price. Thus, the cumulative worth of the transactions was around Rs. 60 lakh per month. Since February this year, it is zero, according to the statistics provided by the Fishermen's Association of Rameswaram. Nearly, Rs. 60 lakh worth of transactions per month have ground to a standstill. As most of the catch is for export purposes, the foreign exchange loss to the country should also be taken into account. India can ill afford to lose Rs. 60 lakh every month, i.e. roughly Rs. 7.20 crores a year worth of foreign exchange. Therefore, in the larger interests of the economy, it is essential to reinfuse life into the now almost dead fishing industry of Rameswaram. Since reasons for the enforced cessation of

fishing activity are external, it is up to the External Affairs Ministry and the Ministry of Defence to do something about it.

Finally, with regard to the Finance Minister's reference to optimum utilisation of our main resource, i.e. human labour, I wish to make a few remarks. I am all for the rapid development of science and modern technology and technological innovations, in particular computers. These are essential and indispensable for progress, if we are to keep pace with the modern world. However, we should not forget that in many foreign countries and in highly developed countries of the East-like Japan, one of their main problems is under population and as a result, they face acute shortage of human labour. Hence, their increasing dependence on ever more sophisticated technology.

In India, our problem is quite the reverse. We have a problem of over population and ever-increasing unemployment. We constitute one-sixth of the human race in the world and jobs have to be provided for all our citizens. Therefore, we should see to it that the speedy growth and development of technological innovations in industry, while indispensable to progress, does not result in further aggravating the vexed problem of unemployment in India.

To sum up, in conclusion, I would like to say that our youthful, dynamic, Prime Minister Shri Rajiv Gandhi has kept his promise to the nation, and our equally dynamic Finance Minister, Shri Vishwanath Pratap Singh has ably reflected his ideas in the Budget. Through the presentation of the Budget, the Prime Minister and the Finance Minister in collaboration have jointly succeeded in giving new life to these memorable words of Franklin D. Roosevelt

"We build and defend not for our generation alone.

We defend the foundations laid by our Fathers.

We build a life for generations yet unborn."

Thanque you.

SHRI N. K. P. SALVE (Maharashtra) Madam Deputy Chairman, I rise to support the Union budget of 1985-86 and in line with the distinguished speaker who has preceded me with a very brilliant and eloquent oration I also start part (a) of my speech by expressing the highest commendations at the impeccable acumen which has been shown in the formulation of the budget proposals. The cardinal approach which is implicit in these formulations is not only scientific, not only modern, not only innovative but, Madam, is a one which shows unparalleled political courage and innovative prudence. Entire nation has, therefore, with one voice given an unprecedented support to the budget and has expressed approbatory endorsement.

There have been traditional critics. Some of them have been over-busy, trying to find faults here and there in the budget because no budget can be perfect, but these people have been by and large frustrated for they did not find sufficient grist to the mill to scorn and to come out with wrathful utterances against the Finance Minister which usually has been the lot of the Finance Ministers who have preceded him.

Unfortunately, some opposition leaders have come out with a criticism which is regrettable. I am not referring to the criticism made by the hon. Marxist Member who is not here. They have come down to a level of personal criticism of the Prime Minister which is not only irrelevant but which shows that they have not even analysed the implications of the budget proposals, nor have they been able to determine its impact on the economy in the days to come. Certain personal comments which have been made against the prime Minister in the context of this budget are not only in bad taste but it is a matter which I think needs to be looked into and is a matter which is to be noticed. Let us

(Shri N. K. P. Salve)

have differences of opinion if we do want to have but avoid character assassination as far as possible, but since there is a plenty of gibberish I am not going to refer to it. Certain critics who are not politically motivated or who are unbiased have criticised the budget on two scores, or at least on two scores the criticism is something which I think need to be considered.

The gravamen of the charge of these critics is that the budget favours the affluent and the industrialists and the poor and the middle-class have been given only the lollypops. The second charge is that the budget, because of the heavy deficit financing plus impost of indirect taxes will stoke inflation.

Very briefly I would like to deal with it. Hon. Pranab Mukherjee has very ably deal with this aspect of the matter. I will only supplement what he has stated. At the outset, Madam, perhaps on my part it would be hypocritical to say that this budget is for the poor, but equally it would be fallacious to say that it is for the affluent. In fact, this is the budget which caters to the nation as whole. In fact, the proposals are so skilfully formulated that no segment of Indian society belonging to any strata of society has been excluded from the wide sweep of the beneficial impact of the budget, whether they be the poorest of the poor, the marginal farmers, the lots of poor, the lower middle class, the upper middle class, the rich the super rich, the farmers, the labourers, the employees, the executives, the bureaucrats, the directors or the Members of Parliament—all of them have some benefit to derive out of this package.

SHRI JAGESH DESAI (Maharashtra): How?

SHRI N. K. P. SALVE: If you come to me with payment of proper fees, I will tell you what the benefit to the Members of Parliament will be. I do not want to go into details. All I want to tell my learned friend is that inexpensive legal advice is the most expensive advice.

SHRI JAGESH DESAI: It would not be allowed now.

SHRI N. K. P. SALVE: I am referring to that. I am going to plead that that is an injustice—disallowance of legal expenses is injustice—when I come to part B of my speech.

THE DEPUTY CHAIRMAN: You too have a part B of your speech?

SHRI N. K. P. SALVE: Yes, there are somethings which I am going to seek out. That is the best approach. That we have to learn from the distinguished Member of Anna-DMK.

My friend, Mr. Mukherjee has referred to several schemes, several programmes which have been made for the indigent, for the poor, for the people in the rural areas who are languishing in dire poverty. I do not want to go into details of the comprehensive scheme of crop insurance, social security scheme, legislation providing for workers' future, not to speak of the Integrated Rural Development Programme, the National Rural Employment Programme, the Rural Landless Employment Guarantee Programme, the drought-prone areas programme, the desert development programme etc. etc.

The distinguished Member of the Marxist Party who opened the debate and who unfortunately is not here now, if only he had taken care to read pages 12, 13, 14 and 15 of the Budget at a Glance, and had been capable of deciphering the various figures which have been given, I think three-fourth of his budget speech would have been less accurate than what it has been. Various allegations have been made. He is worried about the public sector undertakings. Who has given public sector to the country? Who has taken the public sector undertaking to the dizzy height, to the commanding heights of glory? We have set up and nourished the public sector undertakings, have been nourishing and will continue to nourish them. If anywhere the public sector undertakings are in a disturbing state of health, they are in West Bengal, owned by West

Bengal. It is one thing to speak in parliament about the concern they have about the public sector undertakings with the skill, objectivity and finit which is required to manage industries.

The budget analysis, however, takes me to believe that it is absolutely correct to say that the Budget unmistakably wants to enlarge the private enterprise, which the public sector enterprise has been dealt with by itself. It is the first time when it has been made unmistakably clear where it wants to enlarge the private enterprise. It aims at social justice within a fast growing self-generating economy. For this purpose several mindless rigidities and shackles of rules and procedures which were impeding the acceleration of growth have been dispensed with. Innovative impetus has been given to productivity, stimulus to growth and encouragement to savings. Investments in private enterprise have been for the first time made attractive. Various fiscal concessions have been given to make the investment in the private enterprise indeed attractive. The approach is to enable the private enterprise to harness financial and human resources of the country and to channelise them into making massive efforts for higher production, higher productivity, higher pace of economic development, higher and faster growth of industrialisation and higher growth of agriculture. The structural changes in the fiscal system are aimed at rewarding the initiative and enterprise. And if this is so, it is entirely true that owners of industry and producers of industrial and agricultural products will certainly benefit. They will have a wider base for their industries, a larger scope for diversification and a congenial climate for over-all growth. This will mean higher profits and higher profitability to the producers. But does it mean that it will benefit the owners only, that it will benefit the industrialists only, that it will benefit the rich and the affluent only? There is a terrible fallacy, Madam, I submit, because there are employees, the ancillaries, the executives, the transporters, the States, the corporations, the Zila Parishads, the labourers, the builders, the erectors, trained, skilled workers and a chain of people

in different sections, who will reap the benefit of the growth of industries in the private enterprise. It is most unfortunate that an approach has been kept so far as though it was the public sector versus the private sector, the public enterprise versus the private enterprise. Very rightly a decision has been taken; the Finance Minister and this Government look at the enterprise as a national enterprise. It is not public enterprise versus the private enterprise. The two together are national enterprise. The time has come, therefore. Let us accept once for all that we do not scorn industrialists in the public and defend them also when there is time for election. I do hope that the industry also realises the sea-change which one Budget has brought for them, and it is now an opportunity for them to give the highest norms of ethics and give a code of conduct of honesty, of quality and integrity.

As to relief in the income-tax rates, there have been very grave misconceptions. My friend is not here. Two of them said that an analysis was made by the Marxist Member, which I have not found from any other genius. He said that there were 40 lakh assesseees and therefore 20 lakh families. Perhaps, he does not know that all the 40 lakh assesseees are not living human beings. They are not animated objects. There are corporate bodies, there are trusts and there are other organisation of persons, Hindu undivided-families, and there are individuals. I do not know wherefrom he got this figure of 20 lakhs, be that as it may let it be 20 lakhs, or 30 lakhs or 10 lakhs the crucial question is whether, just because they happen to be a minority, it would be proper that the State imposes on them a tax burden which is unjust, which is unreal and which is harsh and cruel, whether it is fair. That he has not answered.

SHRI JAGESH DESAI: It is not cruel.

SHRI N. K. P. SALVE: My learned friend may have his own concept. If he says that the burden is not cruel, I do not know how many honest tax-assesseees he has seen. I have been myself when in profession a tax-payer at the time when the tax rate for Rs. 2 lakhs

(Shri N.K.P. Salve) was 97.75 per cent. If I earned Rs. 100, Madam, I was left with Rs. 2.25 np. If that is not cruelty, I do not know what is concept of cruelty is. That is a very sordid story of a saga, of how we brought it from 97.75 per cent to 75 per cent, then to 62 per cent. And then by the Janata Party it was raised to 66 per cent. I do not want to go into the macro-economic aspect of the matter. The question is: Is it fair to levy a tax which honest people believe to be such that either they can be honest and bring about their own self financial ruination or be dishonest? One of the most accepted maxims of tax is 'tax which is acceptable and bearable to the people. Is it bearable to the people? If it has been bearable to the people, why have there been so many voluntary disclosures? Why has there been so much massive evasion? Why have raids been conducted right, left and centre? If all this is looked into, I think, it is the cruelest of jokes to say that the tax-rate so far has not been cruel.

I submit with all humility that three-and-a-half decades experience in taxation has revealed to me. Madam, only one thing, and it is this that there are a set of assessee, tax-payers who are bound to be dishonest, even if you bring it down to 12 per cent, and that there has not been a loss of single rupee to the exchequer in the relief he has given. The loss on account of surcharge which again in the matter I do not want to go into it. When the surcharge was levied for the Union, I was against it for the simple reason that I thought that this surcharge for the Union is militated against the federal polity of the country. The idea was that the income-tax must devolve ultimately and be shared between the Centre and the States. But an ingenuous idea was brought that if you levy the surcharge for the Union, it will not be shared. At that time, I thought on pure qualms of conscience and pure question of propriety, it would be violative, it would violate the very spirit of the federal policy of the Constitution of the country. If we were to have alibi under the nomenclature of income-tax and yet deny the State share in it. But, then in income-tax there is not a single rupee worth a loss. The

relief he has given in the corporate tax, many people will know that not a rupee worth of loss has been sustained by the Finance Minister. Madam, to put it in another words, had the rates been higher the income or revenue of the fiscal exchequer would have been by way of corporation tax and income-tax the same relief had not been given. Therefore, the position is you made tax rates rationale and just and collect a certain quantum of tax eggs and you keep pitch your rates higher and higher—and you collect the same tax whichever is preferable. You want taxation to be just and fair or you want it to be arbitrary and unreasonable and collect the same amount of that. That is something which I do not know whether Mr. Desai has noticed it or not.

SHRI JAGESH DESAI: I understand very much.

SHRI N. K. P. SALVE: That is the problem. That is the problem. If that be so, then does it not imply, Madam, with reasonable rates of taxation there will be much better compliance. There will be much favourable response on the part of the tax-payer. Then there will be much greater incentives and much greater impetus for honest tax-payers who voluntarily come and discharge their obligation under the tax laws. If this is what the Finance Minister has been able to achieve, I must congratulate him as he has done it with rare finesse and skill. I do hope that he has stated; he is going to watch. Let him carefully watch. And if he does find that the people do respond, and they do respond warmly, it brings about the requisite buoyancy in the collection of taxes. This process must continue. It is no use pitching your tax rate too high and collecting a pittance. It is much better if you reduce the taxes and collect a much higher amount.

Regarding deficit financing, Madam, my honourable friend, Mr. Pranab Mukherjee has always given a good expression. But I want to explain it from a different angle. There is deficit financing of Rs. 3,349 crores. By any standard it is fairly large deficit finance. It is not a matter which can be taken lightly, but

if it cannot be taken lightly, I am unable to understand what is the panicky about it. This deficit financing of Rs. 3,349 crores in a total disbursement of Rs. 51,294 crores is 52 per cent of the disbursement. As against this in the preceding year on a disbursement of Rs. 46,695 crores the deficit was to the tune of Rs. 3,985 crores. That is 8.53 per cent. When you talk of a deficit it is very risky to talk of deficit of a finance in absolute terms. It must be seen in the context of percentage. That is what the honourable Member (Marxist) did not properly follow. We have been able to absorb 8.53 per cent deficit with a much lesser disbursement, what is the warrant to consider that the economy will not be able to absorb 6.52 per cent. I do not say, for a moment, that we should take it for granted that it will be absorbed and that we should allow any sense of complacency. No. We will have to be very vigilant about it. But let us see if we do not go in for this sort of deficit financing what were the alternatives? Were the alternatives much worse? Then these alternatives of deficit be able to balance both? Apart from deficit financing there are some alternatives. The first is increased borrowings. Our interest has gone to a Himalayan figure of Rs. 7,075 crores. There are a set of assesseees who are bound to be honest whatever the tax quantum may be even if it be 97.75 per cent, they would pay it. But there are a set of assesseees whose mind is conditioned on the rationality, on the reasonableness, of the tax quantum. It is that set of people who deserve relief, for whom relief has been given. But it has been so skilfully given.

May I ask those who have been finding, in this relief, patronage to the affluent and the rich, what the cost is to the exchequer. Everyone seems to have overlooked para 83 and para 106. Madam, the Finance Minister has been far too shrewd. Behind his dynamism and behind his extremely quiet working, one must marvel at the tremendous skill with which he has given the relief.

Now this sum of Rs. 7,075 crores is 26.12 per cent of the revenue received. Now out of every rupee of tax that we

are paying, whether it be excise or customs or import duty or income-tax or corporate tax, 26 per cent is going away for repayment of the interest itself. I think the time has come to say, and very rightly he has stated: no further borrowings. If the indebtedness of the country is to go up any further, then some day we will have the same fate as they are having in the Latin American countries—we cannot allow that to happen in this country—where every week there is an 8 per cent devaluation of the currency they are using. The indebtedness must be ordered a halt to, and I must congratulate the Finance Minister in stating and stating firmly that he is not going to borrow to cover the deficit.

Now the other alternative is that we have higher direct and indirect taxes. So far as, direct taxes are concerned, he has given ample justification why it cannot be levied and why he has reduced the rates. He has not reduced the collection, and he expects the buoyancy to go up as a result of the impetus given to the tax-payers. Indirect taxes, Madam, directly stoke inflation. And if there is, therefore, a rise in inflation on account of deficit finance, there is a much larger risk of inflation if we are to have a higher impost in indirect taxes. So borrowings are ruled out; direct taxes are ruled out; indirect taxes are ruled out. What remains? Expenditure, our Plan and non-Plan expenditure. Even if we examine it with a microscope, where are we going to effect a cut? If this is the position, what does he do? He cannot borrow; he cannot curtail the Plan or non-Plan expenditure; he cannot levy any direct or indirect taxes, because if he does it, it will be only at the peril of inviting a much higher inflation. So he has done the right thing to leave the deficit uncovered. But as he has stated, and as the Economic Survey has stated, there is no room for complacency whatsoever in our economy. We will have no doubt that he will keep vigilant and monitor the price behaviour continuously and he will show the highest efficiency in the supply management because that is essential and necessary. We have a comfortable position of foreign exchange reserves and we have a comfortable position of food buffer stock. And supply management is no pro-

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blem. In case the monsoon fails, it can be tackled with a much higher degree of fiscal and monetary management. And for this we can rely on the Finance Minister.

Now, there is the allegation that the indirect taxes are going to stoke inflation. Now so far as the indirect taxes are concerned—I am between Part A and Part B of my speech—the Finance Minister proposes to raise, as a result of the imports, Rs. 287.12 crores in customs and Rs. 259.54 crores in excise. By all standards these are very reasonable. But there is something to which I must draw his attention and it is this that whenever there has been a rise in the railway freight and it has been followed by a hike in crude petroleum, invariably there has been an inflation which has been having an inexplicably cascading and multiplying effect. For instance, if a transporter were to bring 500 seers of vegetables in his tempo and he were to pay Rs. 5 extra for the petrol, that means, it is one paise per seer of vegetables. But the transporter will charge 25 paise, 50 paise or 100 paise per seer extra for the increased transport cost. This is an inexplicable phenomenon and I request him in all humility to see history and see whether or not it has been so every time there has been an increase in the price of crude petroleum. Not that they are not justified. The way the dollar value has been shooting up, the way import has been going up, nobody can blame the Finance Minister. But it is an inexplicable phenomenon of macro-economics that a certain levy which is very negligible has a tremendous cascading and multiplying effect and brings about inflation and become a terrible headache for the Finance Minister. If he finds that whenever there is an increase in railway freight followed by an increase in the duty on crude petroleum, there is an inexplicable growth of inflation, I am sure he will use his ingenuity and find some way to make good the budget and not keep the levy as is contemplated in the Budget on crude petroleum. The Finance Minister deserves fullest congratulations for abolition of estate duty which was ancient. CDS was again immoral. It was forced taxation from the tax-payers. How long is the

tax-payer to be condemned? At any rate, that is all gone. Don't think of the past. The Finance Minister said he is going to watch how people are going to respond. His approach, while being liberal, is indeed cautious. As Finance Minister, he carries a very heavy responsibility of the economic and financial welfare of the nation as a whole. While keeping a watch let him watch—I would request him to consider whether or not for the same reasons—the two reasons for which he has dispensed with estate duty—he would think it worth while also to get rid of the wealth tax collections because the irrigation and tension it makes is completely disproportionate to the total collections; please consider if you can do away with wealth tax. If ultimately your idea is to make the tax-payer, the honest tax-payer, comply with the taxation laws, the existence of wealth tax is not necessary to see whether all the people are amassing wealth outside the channel. Donations to political parties are being allowed a deduction. It is a magnificent proposal. If this is so, may I request the Finance Minister to tell us when donations to political parties are to be considered a legitimate business expenditure, why are the legal expenses being incurred by the harassed tax-payers to conduct their legal proceedings not being allowed. This is a total cussedness of the hydra-headed bureaucracy which you must put down. The Public Accounts Committee Reports are replete with total condemnation of the Income-Tax Department and the Income-Tax Officers for pitching very fancy and high assessments and keeping the assessees hanging for days and days. They have to file a first appeal; then they have to file a second appeal; then a third appeal and so on. When they go in appeal you are not allowing them deduction of expenses incurred by them fighting their case. There is no rationale in it. Kindly look at it rationally. If our taxation effort has suffered, it has suffered from one single malaise and it is this that we have given ourselves a concept of totally artificial income. What is taxed is not really the income as is understood by the accountants and by the commercial world but a totally different income on which I am supposed to pay tax. That is one more

reason for massive tax avoidance and tax evasion. Kindly simplify taxation and if you want to simplify it, it is imperative that you must get away from the concept of artificial income and to be able to do so you must never restrict allowance of expenditures which are honest, legitimate, deductible expenditure against the business profits of an assessee.

Now I come to part (b) of my speech. Everyone has been given something, but the poor professionals also deserve a better deal—whether they be chartered accountants, whether they be lawyers, whether they be doctors or in any other profession. They are a set of people who live under tensions..

THE DEPUTY CHAIRMAN: Under which category do Members of Parliament come?

SHRI N.K.P. SALVE: I wish, Madam, you hadn't asked that question because, yes, the income of Members of Parliament is taxable as income from professional avocation. What I am saying will benefit Members of Parliament also.

THE DEPUTY CHAIRMAN: What about the Deputy Chairman?

SHRI N. K. P. SALVE: That will be possible only in my chamber.

THE DEPUTY CHAIRMAN: I can not pay fees.

SHRI N. K. P. SALVE: My respectful submission to the Finance Minister is that for these people who are burning their candle at both ends so far as their physical welfare is concerned at least the legitimate medical expenses of the professionals may be allowed as business deduction because in reality they are business deductions. If you catch fever or if you are not well enough to go and argue in an important case which is coming up, the Department will get away with more than Rs. 5 lakhs after harassing the assessee. Or, if you are not well you have to pay the Doctor ten times more or to drug yourself. You have to drug yourself at times so that you do not drug your conscience. Therefore, medical expenses, I hope, will be allowed.

Madam, there are one or two points more and I have done. But they are crucial points. I want the Finance Minister to kindly consider them. He has referred to 80J judgement in the Lohia Machines case. Recently the Supreme Court has decided a case interpreting 80J. It contemplated certain benefits to the new industrial undertakings. The section says that the benefit will be referable to the capital employed in the industrial undertakings. The rules were to be made for the capital to be employed by the Board and when the rules were made what the Board did was this. They so meant capital employed in the industrial undertakings to mean total assets of the industrial undertaking less all the borrowings. In other words the assessee's own capital was considered and equated to capital employed in the industrial undertaking. This is the judgement of the Supreme Court and madam, this has shocked the legal profession and the accountancy profession. They were surprised. Unanimously all the High Courts decided in favour of the assessee. They said when you are talking of the capital employed, you are talking of the resources of the industrial undertakings. All the High Courts decided in favour of the assessee except the High Court of Madhya Pradesh and the ground on which it decided in favour of the Department was overruled by the Supreme Court. But the Supreme Court summarily rejected all these and passed a very large liability on the tax-payers. This has given apprehension in the minds of the legal profession and the accountancy profession. Madam, we expect our courts to be absolutely fearless. We want them to be the protectors of the interests of tax-payers and citizens of the country against the State whenever the State is unjust and unfair to them. When the Finance Minister replies I would expect him to touch upon 80J because this has created grave apprehension. I have the highest respect for the judiciary. We do not want High Courts and Supreme Court which will determine what their judgement is going to be upon the likes and dislikes of the Government. We do not have a Government of that type which will be indignant to the judiciary. We want the Courts to be fair and just. I hope Government

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will also want them to be just and fair. In this very 80J it was provided that against the assets of an industrial undertaking the loans deducted will not be the loan of the undertaking, but the entire loans of the assessee. In other words, if there are four undertakings and if the fifth one has a loan, the loan of the four undertakings will be taken against the assets of one. On that it was commented by the Public Accounts Committee thus. Madam, I would like to quote that:—

“Clearly the attitude of the Board has been that rule 19A was negative and in so far as the Board has admitted that part of the provision of the rule was against the section itself.”

To the extent it was admitted by the Board, it is against the section itself. Now, the whole thing has come by way of a retrospective legislation. They were able to over-rule the rule. I would request the Finance Ministers to come out with a categorical statement that to the extent it was admitted by the Department they would deduct the loans only of one undertaking and not the loans of all and the Department will not deviate from the practice which they have so far been following.

In the end, the Finance Minister has magnificently summed up the problems of corporate taxation. In paragraph 74 he has said:—

“The statutory rate of corporate tax in India is high, but because of various exemptions, the effective rate is significantly lower. While each exemption has a rationale, the combined effect of all these exemptions, taken together, is to erode the tax base. The present system also affects different taxpayers very differently. This cumbersome system has led to unending litigation, and has given wide discretion to those who make the accounts and those who scrutinise them.”

This is the malaise, this is the real problem and the real illness of the corporate sector. This is something which we have been shouting hoarse about in this forum for the last one decade.

It is a matter of great satisfaction to me that the Finance Minister has precisely put this problem and, therefore, I will answer the problem that he is having on account of the incentives also and I will answer the question whether or not we should continue with the investment allowance. I am thinking over this matter for years and all these problems will be solved if he were to get rid of all the incentives. Don't give. Are you able to say what the impact is of an incentive? There are impetus and incentives given for having infrastructural facilities in the backward areas. Can it be said that this is as a result of the incentives and concessions given? How many backward areas have been developed because of the incentives? Nobody would be able to say that. Nobody would be able to say what the impact is and what the exact result is of an incentive. It is just a case of a blind leading another blind. So, the tax law is no place to give incentives. It is only to make the law more complicated and make it attractive for the legal profession and the chartered accountants. Get rid of all the incentives and get rid of the incentive allowance. Just keep one provision, that is, let the assessee deduct the entire cost of plant, building and machinery and don't give them the depreciation. Leave it to the option of the assessee. Today, what is happening is that there is a straight-line case and over ten years you are allowed to write off the entire plant. The State is going to lose nothing absolutely and, at the same time, it will simplify it and rationalise it and then you can determine what rate would be a fair rate. Then alone you will know it. The Reserve Bank of India conducted a study, an important study, Madam, of 2,018 companies and they came to the startling conclusion that with the effective rate of taxation with the rate of taxation the profits earned were less than 27 per cent. Now, this is a sort of mockery. Some people get away with it. Those who are capable of getting good and expensive legal advice can get away with anything that want to and so much of effort is wasted on avoidance. But the other people, as he has rightly pointed out, suffer. Why should there be an inequitable levy of taxation on a trading company?

Trading companies also render some service to the community as such. Therefore, I entirely agree that there should be an even rate of tax and if you want to bring in an even rate of tax, please get rid of these incentives. Companies manage to get it to a group. They get into a group where they get incentives and over the incentives what an amount of litigation is going on half of my fees, Madam, I must have earned in the past one-and-a-half decades interpreting these incentives and we have been winning merrily and we have been losing merrily and the Department has been going on like this and, Madam, drafting has never been the strong point of the Department. Considering the way the whole tax law is drafted, I would say that it is confusion wrapped in complexity, multiplied by total difficulties. Therefore, Madam, I would like to say one thing before I finish.

In the end, Madam, I only want to submit that it is a magnificent Budget, and this Budget represents the vitality of youth and the pragmatism of a dynamic leadership. The Finance Minister has blazed a trail which for decades will illumine the path with a vibrant, but an honest fiscal philosophy. Taxation is a two-way traffic and the State must be just, fair and reasonable if it wants to see fair and honest compliance. The life of the taxpayers must not be made so miserable that the price of honesty is the financial destruction of the individual himself.

We, therefore, bow to the Prime Minister who is behind this Budget and who has proved to the people of this country that the high expectations and hopes they expect of him will not be belied. As to the Finance Minister, Mr. Finance Minister, we salute you for ushering us into a new era of hope and good cheer, of initiative and enterprise. The nation offers its grateful thanks and good wishes and we all join our compatriots. Thank you, Madam.

THE DEPUTY CHAIRMAN: Now, Messages from the Lok Sabha.

MESSAGES FROM THE LOK SABHA

I Resolution regarding the constitution of the Railway Convention Committee.

II The Appropriation (Railways) No. 3 Bill, 1985.

III The Appropriation (Railways) No. 4 Bill, 1985.

SECRETARY-GENERAL: Madam, I beg to report to the House the following messages received from the Lok Sabha, signed by the Secretary-General of the Lok Sabha:

(I)

"I am directed to inform you that Lok Sabha, at its sitting held on Wednesday, the 20th March, adopted the following resolution:

"That this House do recommend to Rajya Sabha to agree to associate 6 members from Rajya Sabha with the Parliamentary Committee to review the rate of dividend which is at present payable by the Railway Undertaking to General Revenues as well as other ancillary matters in connection with the Railway Finance *vis-a-vis* with General Finance and make recommendations thereon and communicate the names of the members of appointed to this House."

"I am to request that the concurrence of Rajya Sabha in the said resolution, and also the names of the members of Rajya Sabha so appointed, may be communicated to this House.

"A copy of Lok Sabha Bulletin-Part I, dated the 20th March, 1985, containing the resolution adopted by Lok Sabha on the 20th March 1985, regarding constitution of Parliamentary Committee is enclosed."

(II)

"In accordance with the provisions of Rule 96 of the Rules of Procedure and