

(d) what are the details of the terms and conditions on which Soviet Union agreed to import goods from India?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE (SHRI-MATI RAM DULARI SINHA): (a) Diversification of markets is a continuing process in our export promotion effort.

(b) No special facilities beyond those already available to exporters under the current Import and Export Policy have been extended.

(c) In a general review of bilateral economic relations Mr. Arkhipov, Soviet Deputy Prime Minister and Mr. Narasimha Rao, Foreign Minister, referred also to the question of Indo-Soviet trade. Both leaders expressed a common commitment to work towards achieving a dynamic growth in trade. They noted that competent authorities on both sides were in touch with each other on the continuing steps required to achieve this goal.

(d) Soviet Union has not asked for any special terms and conditions for exports from India. Trade between India and USSR is conducted in terms of Trade and Payments Agreement signed on 10th December, 1980 between India and the Soviet Union. The terms and conditions of this Agreement remain fully applicable.

Revision of D.A. and H.R.A. formulae for the Central Government Employees

844. SHRI NEPALDEV BHATTACHARJEE: Will the Minister of FINANCE be pleased to state;

(a) whether Government have any proposal to revise the D.A. and H.R.A. formulae for the Central Government employees; and

(b) if so, what are the details in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PATTABHI RAMA RAO): (a) No, Sir.

(b) Does not arise. However, Government have already appointed the Fourth Pay Commission to enquire into the structure of Pay, allowances and conditions of service of the Central Government employees. The existing

dearness allowance and house rent allowance formulae will be considered in the light of the recommendations of the Fourth Pay Commission.

Reduction in Taxable profits by companies

845. SHRI DHULESHWAR MEENA: Will the Minister of FINANCE be pleased to state;

(a) whether it is a fact that in order to show reduced taxable profits some companies have started capitalising interest charges on projects in order to artificially jack up capital costs and claim higher depreciation and investment allowance;

(b) if so, how Government propose to counteract this capital strategy evolved by such companies to reduce tax liabilities; and

(c) whether any of these companies have been identified and if so, what are the details in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PATTABHI RAMA RAO): (a) The question of capitalisation of interest charges on capital costs would depend on the facts and circumstances of each case. However, interest paid before the commencement of the production on amounts borrowed for the acquisition and installation of plant and machinery, generally speaking, would form part of the actual cost and may be capitalised.

(b) With a view to securing that the various deductions (including deduction in respect of investment allowance) in respect of tax concessions admissible under the Income-tax Act do not result in reducing the taxable income of companies to the extent that no tax or only a negligible tax is paid by profit making companies, Section 80VVA has been inserted in the Income-tax Act by the Finance Act, 1983 to the effect that where in the case of companies the aggregate amount of deductions admissible under certain specified provisions of the Income tax Act exceeds 70 per cent of the amount of total income computed before making such deductions, the amount to be deducted under those provisions will be restricted