

advances given by them. Therefore, there is no default. Default is in regard to IFCI and others. That point is clarified. The third aspect is with regard to the future loans. It will depend on the merit of the case. I cannot just say that everywhere in a blanket manner it will be given or it will not be given.

**SHRI KALYAN ROY :** Sir, I had asked, where they are in default, whether any legal action has been taken.

**SHRI PRANAB MUKHERJEE :** Sir, there is no question of legal action. Administrative action is taken. Both actions are being taken. But, before that, what is the position ? Just try to understand the whole thing because you cannot sort out merely by arguments. We provide foreign assistance to established industrial units. They are expected to pay it back, the principal and the interest. So many factors may come in between. It may be time over-run, it may be cost over-run, it may be technical snag.

Therefore, it will depend on the merit of each individual case. It will not be possible to have a blanket formulation in regard to the recovery.

**MR. CHAIRMAN :** There is no cut and dried formula. Quite right.

**SHRI KALYAN ROY :** These directors, after retirement, join the same very private concerns.

#### **Abolition of Octroi Duty**

\*428. **SHRI RAM LAKHAN PRASAD GUPTA:†**  
**SHRI LAKHAN SINGH:**

Will the Minister of FINANCE be pleased to state ;

(a) the States and the Union Territories where octroi duty is levied ;

†The question was actually asked on the floor of the House by Shri Ram Lakhan Prasad Gupta.

(b) what decisions were taken in the conference of Chief Ministers held in the September 1980 regarding abolition of octroi; and

(c) what action Government have taken to implement the decision ?

**THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE) :** (a) to (c). A statement is laid on the Table of the House.

#### **Statement**

(a) The States and Union Territories where Octroi duty is levied are:

Gujarat, Haryana, Jammu and Kashmir, Maharashtra, Manipur, Orissa, Punjab, Rajasthan, Uttar Pradesh, West Bengal, Delhi, Pondicherry and Goa, Daman and Diu,

(b) The question of abolition of octroi was considered in the Conference of the Chief Ministers on the 16th and 17th September, 1980. The Ministers agreed that octroi was an undesirable levy and should be abolished, but some of them stated that octroi was a significant source of revenue for the local bodies and finding adequate source of revenue to recoup the loss would be difficult, and hence suggested a measure of compensation from the Central Government. While summing up, the Union Finance Minister stated that abolition of octroi was in the interest of the States and should be undertaken in progressive stages. He suggested that, as a first step, octroi should be given up in respect of having a population of less than two lakhs. He stated that loss in revenue could be met in some way or the other by the States, if necessary by imposing a suitable surcharge on sales tax and passing on the proceeds to the respective municipalities. He did not favour the suggestion that the Centre should compensate the States for abolition of octroi as the Centre was providing Central assistance for

State Plans and, if compensation was to be provided for abolition of octroi, the Central assistance for State Plans would be reduced to that extent. The Union Finance Minister's suggestion was, by and large, favourably received by the Chief Ministers.

(c) After the conference of the Chief Ministers on the 16th and 17th September 1980, the State Governments were requested to intimate the action proposed to be taken by them regarding phased abolition of octroi. The following State Governments/Union Territories have intimated the action taken by them in this regard;

1. The Government of Gujarat has accepted in principle abolition of octroi and introduction of Entry Tax in its place. That Government has since intimated that the various aspects of the proposed Entry Tax legislation are being considered by the State Government in the light of the experience gained from the implementation of the Entry Tax Acts in Karnataka and Madhya Pradesh. The legislation is proposed to be finalised after discussions, with the representatives of trade, commerce, industry and local bodies.

2. The Government of Haryana has not taken any view on the abolition of octroi. It is however considering the question of abolition of octroi on a selective basis on certain items.

3. The Government of Himachal Pradesh has abolished octroi in the State from 1st April, 1982.

4. The Government of Jammu & Kashmir has been holding consultations with its local bodies on the abolition of octroi.

5. The Government of Maharashtra has decided to abolish octroi but the decision has not been implemented owing to difficulty of

raising alternative resources. The State Government has constituted a Committee of Expert to review the existing taxation structure—both State and Local—with a view to suggesting changes therein for mobilising additional resources. The Committee is expected to make specific recommendations for raising resources for replacement of octroi. The Committee's report is awaited by the State Government.

6. The Government of Manipur has stated that, in view of the constraint of resources, it is not possible to abolish octroi unless the Central Government gives adequate compensation.

7. The Governments of Orissa, Rajasthan and Uttar Pradesh are examining the matter regarding abolition of octroi.

8. The Government of Punjab has constituted a High Power Committee to study the matter of abolition of octroi in the State and to find out ways and means for its replacement.

9. The Government of West Bengal has stated that octroi in the State is confined only to the Calcutta Metropolitan area. It has further stated that the State Government is unable to abolish octroi unless alternative sources of income, which will fully compensate the loss with assured buoyancy, can be suggested because the State Government's own resources raising powers do not present any scope for such an alternative. Calcutta, however, does not fall in the first phase which envisages abolition of octroi in respect of places having a population of less than two lakhs.

10. In the Union Territories, octroi is levied in Goa, Daman and Diu and Pondicherry. In Delhi, terminal tax on goods carried by railways and roads is levied. The question of abolition of octroi in Goa, Daman and Diu and

Pondicherry is being examined by these Union Territory Administrations. Delhi does not fall in the first phase which envisages abolition of octroi in respect of places having a population of less than two lakhs.

There is no octroi in other States/Union Territories.

**श्री राम लखन प्रसाद गुप्त :** सभापति महोदय, इन्होंने अपने जवाब में कहा है कि कई राज्यों ने चुंगी हटाने की व्यवस्था को नहीं माना है। मतलब यह है कि सभी राज्यों ने चुंगी हटाने की व्यवस्था को नहीं माना है। जहाँ तक मध्य प्रदेश और कर्नाटक की बात है, इन्होंने चुंगी के बदले 'प्रवेश' नाम बदल दिया है। इन्होंने प्रवेश कर अधिनियम कर दिया। लेकिन 17 सितम्बर, 1980 को मुख्य मंत्रियों के साथ जो बात-चीत हुई उसमें मुख्य मंत्रियों ने कहा था कि चुंगी में जितनी आमदनी होती है उसकी केन्द्र क्षतिपूर्ति करे। केन्द्र ने कहा था कि हम क्षतिपूर्ति नहीं कर सकेंगे, परन्तु स्टेट प्लान में जितना रुपया दिया जाता है और क्षतिपूर्ति जितनी दी जाएगी इतने रुपये कम हो जायेंगे और इस बात से आमतौर पर सभी मुख्य मंत्री सहमत हुए थे, यह इन का जवाब है, पहले पैराग्राफ में। जब यह साफ-साफ तय हो चुका था तो क्या केन्द्रीय सरकार ने कोई आफर किया या कुछ कहा कि साहब हम इतना रुपया देने के लिए तैयार है या उनसे पूछा कि कितनी क्षतिपूर्ति करनी होगी, कोई सूची मंगाई कि इतने रुपये क्षतिपूर्ति करके और स्टेट प्लान में इतना कम करके स्टेट को देना होगा। अगर नहीं किया तो इस जवाब से यह बिलकुल ही पता नहीं चलता है कि पिछले दो वर्षों में केन्द्रीय सरकार ने इस बारे में कोई कदम उठाया है जिससे चुंगी समाप्त हो।

**SHRI PRANAB MUKHERJEE :** Sir, I am afraid, if such a long Statement has not clarified the position, I do not think that a reply to his question will clarify it. In fact, had he read the next sentence in the statement itself, he would have found that we did not agree with the suggestion of the States to compensate. What the Finance Minister suggested in the Conference of the Chief Ministers was that it would not be possible for the Central Government to compensate it because, after all, in that case it will come from the common people, and, therefore, if compensation was to be provided for abolition of octroi, the Central assistance would be reduced to that extent. Therefore, we did not agree.

The second point is in regard to the States which have been mentioned. That is why I have given an exhaustive reply thereto. I have mentioned that certain States have already taken the initiative. Take the case of Gujarat. They are going to bring a legislation. Certain States like West Bengal, have said that they were finding difficulty because they did not know where to locate the alternative sources of revenue. Similarly, almost all the State Governments have initiated action in either way. Some of them have indicated that it would not be possible for them to do away with octroi unless they found the alternative location and how and in what manner they could make up the loss which they will have in respect of octroi. In certain areas they have initiated certain action in respect of the State of Gujarat. Therefore, we shall have to wait because here one point the Hon. Member will have to appreciate is that after all the State Governments have a point. They are earning some revenue from octroi.

**SHRI PILOO MODY :** How much ?

**SHRI PRANAB MUKHERJEE :** The exact figure, I do not have. I can give you. But it is a good amount. Some of the State Government say it is a good amount. (*Interruptions*)

The traders would not like it. They do not want to have the sales-tax and they do not want to have the octroi duty. After all, the States should have some areas of revenue. What we have suggested to them, for instance, is that they should replace it by entry tax as it has been done by the State of Karnataka—in Gujarat they are going to do it—or Madhya-Pradesh. But alternative areas must be found out to compensate loss of octroi.

**SHRI MANUBHAI PATEL :** The Hon. Minister has categorically stated in his statement that the Chief Ministers unanimously agreed that octroi was an undesirable levy and that it should be abolished. They suggested certain ways.

**MR. CHAIRMAN :** They wanted compensation from the Centre for the amount of octroi.

**SHRI MANUBHAI PATEL :** The Central Government and the Finance Minister suggested surcharge on the sales tax.

**SHRI PRANAB MUKHERJEE :** No, no, not the sales tax but other areas to be found out.

**SHRI MANUBHAI PATEL :** There is a proposal here. What is the position? Have the State Governments agreed to that to levy surcharge on sales tax in order to compensate because the Central Government is not prepared to compensate? Now the difficulty is that the local bodies get cash payment daily in order to make payments at the end of the month to their salaried employees. That is their problem, their difficulty. Otherwise they are prepared to have any alternative arrangements. I would like to know what the alternative arrangements are. Here is a deadlock. Sir, the Central Government is not prepared to part

with a certain amount. The State Governments are not prepared to apply any other alternative excepting the entry tax which Karnataka and Madhya Pradesh had applied and Gujarat is going to introduce. So, I would like to know what is the difference between entry tax and octroi. If it is a second name of octroi.....

**MR. CHAIRMAN :** It is called terminal tax. You want the difference between terminal tax and octroi. The correct pronunciation is "octrwah".

**SHRI MANUBHAI PATEL :** In octroi the real difficulty is faced by the goods traffic. There is a long queue of 50 or 100 trucks. The main thing is to keep the goods traffic moving. So, if in place of octroi, the entry tax is going to have the same effect, what is the use? Instead of octroi, they will collect entry tax and the long queue of trucks will continue and the goods traffic will be held up. That is the real difficulty. So, I would like to know...

**MR. CHAIRMAN :** One has been abolished. The terminal tax or octroi has been abolished. Now the other tax remains. This is no entry of goods into a particular area.

**SHRI MANUBHAI PATEL :** I would like to know from the Hon. Minister the exact difference between entry tax and octroi in terms of movement of goods traffic. That should not be disturbed and no obstacle should be created. That is one thing. Then where is the difficulty in suggesting other means of collecting revenue at certain stages and transferring it to the State Governments who in turn will give it to the local bodies? Then there is a problem all over the country, but I find it is more so in Uttar Pradesh. From Hardwar wherever you go, even small municipalities and panchayats collect octroi at every point, every two miles or three miles, while going and coming. Every time you have to pay. Now this is the difficulty of tourists and

passengers, not in regards to goods. May I know whether the Government has worked out any alternatives? That is one thing. The second thing is, I can understand the non-cooperation or no consideration being given to this proposal by the State Governments. But why is the Government not implementing it in the Union Territories of Goa, Daman and Diu and Pondicherry? They are directly under the control of the Central Government. What comes in the way? They are not to take a decision separately. So I would like to know whether they are going to consider the State Governments' request—if not compensation, at least meeting it in any other way.

MR. CHAIRMAN : That is all right. You have made your point.

SHRI MANUBHAI PATEL : I am framing my question now. I would like to know whether the State Governments are prepared to have entry tax like Madhya Pradesh, Karnataka and Gujarat and, if they are not, what other alternatives the Central Government is going to suggest to them. Thirdly, what is the difference between entry tax and octroi, if free flow of goods traffic is not allowed. Lastly, what comes in the way of the Government to implement it in its own Union Territories?

SHRI PRANAB MUKHERJEE : Sir, in fact, while putting the question, the Hon. Member has very correctly pointed out the obnoxious part of implementation of this tax, to which we are objecting. It is nobody's case that if the States get some revenue on the goods which are entering into particular areas, it should be objected to. But the way it is being done is causing greater harm to the economy and some sort of corruption is also indulged in the realisation. Actually what should come to the exchequer does not come to the exchequer. Therefore, the question of nomenclature is not important. What is important is how you are going to implement it and

what would be the modalities of realisation. For that various State Governments have various modalities. That can be looked into. In regard to the second part of the question as to why we are not doing it in respect of the Union Territories, I have mentioned in the statement itself that we have taken it up. It is not that the State Governments are not co-operating or that they are reluctant to do it. They have a point when they ask : wherefrom can we make it up ? They will have to find out. For that some exercise is needed. In that connection, I can now give the figure of the total octroi duty. It was Rs. 275 crores in 1978-79, all the States taken together. Therefore, it is not a very small amount of money, particularly in the present context of financial stringencies under which the States are suffering. But I do hope it would be possible, through discussions and by constant exercises, to work out a better modality of realising the same amount in some other form.

SHRI PILOO MODY : Mr. Chairman, to begin with, I hope you won't mind my saying that I am not a Franco-ophile and, therefore, I will not say 'octrwah' but I will say only 'octroi' as an Anglo-Saxon.....

MR. CHAIRMAN : It is said that it should never be pronounced 'octroi', but only 'octrwah'.

SHRI PILOO MODY : Being an Anglo-Saxon.....

MR. CHAIRMAN : You are not an Anglo-Saxon; you are an Iranian extraction.

SHRI PILOO MODY : I am not an Iranian extraction. I am of Iranian origin. There is a vast difference between being an extract like you and being an origin like me.... (*Interruptions*). I will continue my question to the Finance Minister. I am glad he has quantified it. It shows how a monumental amount of money is sucked out of the economy by the presence of

octroi. If the official collection.... (Interruptions). Please, I am talking to him through you. If the total quantum of octroi collected by the Government is Rs. 275 crores, I think you can easily quadruple it or multiply it five times or even ten times that is being illegally siphoned off at the various points which are conveniently provided throughout the country. It is a monumental amount of money. Therefore, it is not something that should be allowed to drag on in this fashion. You have your annual meetings or whatever it is or your quarterly meetings with your Ministers and Chief Ministers who keep on suggesting or explaining their difficulties to you. You have to find a way by which this amount or even more than this is collected otherwise and distributed in a manner which satisfies all.

You should not shirk from the responsibility of having to replace this amount to the States through some other method because heavy instruments of taxation are in your hands and only lighter instruments of taxation are in the hands of the States. Knowing the quantum of the problem, I strongly recommend this and also ask for the reaction of the Minister whether he will understand the magnitude of the problem and do something urgently in this matter.

**SHRI PRANAB MUKHERJEE :** In regard to abolition, I do agree and in fact that is why we have taken initiative of abolition of octroi. There are no two opinions on it. But I have no liberty of multiplying it five times or ten times as the Hon. Member has because the moment I do it people will catch me.....

**SHRI PILOO MODY :** Why don't you come and join us here ?

**SHRI PRANAB MUKHERJEE :** I was there for quite a number of years. You know it. No problem on going back again to my original side.

Therefore, I do feel that this is a matter which requires attention urgently and I will take it up again with my colleagues in the States and try to work out a solution acceptable to the State Governments, to us and to the trading community.

**SHRI ARVIND GANESH KULKARNI :** Pursuing the point which my friend has made, may I inform the Finance Minister that it is not the octroi duty itself, but it is the corruption which goes along with octroi that causes harassment ? The Bombay Municipal Corporation itself has passed a resolution on this because they could not lay their hands on the problem. The money due to them has not been collected and that goes into thousands of crores of rupees. In Maharashtra they have started another tax called the professional tax which is levied on doctors, pleaders, traders, entrepreneurs.....

**SHRI PILOO MODY :** Even on architects.

**SHRI ARVIND GANESH KULKARNI :** That is right. I do understand that you have to take the states into confidence before initiating action on this. Some such format can be adopted by all the States. Ultimately who are the gainers by living in the city ? They are the professionals like doctors, advocates, entrepreneurs and traders. Whatever it is, at that stage you can tax and the States can be reimbursed or at the production stage an additional tax can be levied in lieu of the octroi duty. Will the Finance Minister consider any of these proposals for being recommended to the State Governments ?

**SHRI PRANAB MUKHERJEE :** In regard to the professional tax, it is not in Maharashtra alone. Some other States are also having it.

**MR. CHAIRMAN :** The maximum is Rs. 250/-.

**SHRI PRANAB MUKHERJEE :**

It would be difficult for me to say anything because, on the one hand I am asking them that they will have to mop up certain resources like their contribution to planning--the Central assistance which we are giving them—and on the other hand, if I ask them in a particular area you reduce it, they will say, compensate us in other things. The experience from prohibition is a large amount of arrears is there. That is the difficulty. We cannot immediately throw it away because ultimately it will rebound on us. In regard to this there is a little confusion. We thought of doing away with octroi and we are contemplating replacing sales tax by additional excise duty in the area of production. Actually in certain areas we have done it. Even in the last year we imposed about Rs. 54 crores of additional excise duty for which we got brickbats from both sides while the net beneficiary is the State Government. But we did not mind it. In certain other items the committee is looking into it. This is a matter where we will have to work out a formula which will be acceptable to both the State Governments and the users.

**SHRI GHANSHYAMBHAI OZA :**

Conceding that octroi collection leads to so much difficulty and inconvenience to the business community and the concerned persons, I am afraid the Centre is unnecessarily meddling in the problems with which only the States are concerned. According to the Seventh Schedule goods which are locally being consumed or used, their sale, etc. are purely State subjects. Now in certain local areas such octroi is collected and is used for development of that particular local area, be it corporation or municipality or any other local self-government body. And certain localities do not collect. Therefore, consumer resources are purely a State subject. Your role comes in only in an advisory capacity. You are unnecessarily meddling in the State subjects and creating complications. Kindly

leave the States to find out themselves. Local bodies, in order to meet the requirements for sanitation, hygiene or whatever responsibilities have been cast upon them, have to find out their resources. All that you have to do is purely in an advisory capacity. I am afraid you are unnecessarily creating complications in the way of local bodies and the States and therefore, there is bitterness among them....

**SHRI PRANAB MUKHERJEE :**

I am not interfering with their areas of taxation. Whatever we have done in the conference of State Chief Ministers was done by way of a suggestion. I would not consider it unnecessary because actually this is a type of commodity causing more harm to the economy...

**SHRI GHANSHYAMBHAI OZA :**

You can change the Constitution, revise the Constitution then.

**SHRI PRANAB MUKHERJEE :**

There is nothing to change the constitution. We can do a lot through discussion, through persuasion. I am simply reacting that it is not necessary, because the traders, the commercial community, even the Members of Parliament those who have contributed here, everybody says that this is an obnoxious position. You have to replace it, at the same time the States' revenue is not sacrificed. These two needs are to be met. And here the Government of India is trying to help the State Governments. We are not interfering with their legitimate function.

**SHRI GHANSHYAMBHAI OZA :**

Leave it to the MLAs in the State Assemblies.

**MR. CHAIRMAN :** I think this fight between the States and the Centre may not begin in our House. I can tell you that this tax is abolished all over the world. I once wrote a judgment which might have solved

it, but I was overruled by the Supreme Court. Is there any other person wanting to deal with this tax ? I won't propound on it because it offends the ears of Mr. Mody.

**SHRI PILOO MODY :** No, I am a man who permits you total liberty.

**SHRI NIRMAL CHATTERJEE :** I think these things are associated with the volume of corruption. *(Interruptions)* My question is that the volume of corruption is associated with excise duty, income-tax, which are...

**MR. CHAIRMAN :** I don't think he has got comparative figures...

**SHRI PRANAB MUKHERJEE :** I don't agree with the contention of the Honourable Member and I totally reject the idea which he has put forward....

**MR. CHAIRMAN :** Question Hour over.

### WRITTEN ANSWERS TO QUESTIONS

#### Appointment of Ex-Chairman of Lakhshmi Commercial Bank as Executive Director in New Bank of India

\* 422. **SHRIMATI NOOR-JEHAN RAZACK :** Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that an ex-Chairman of the Lakshmi Commercial Bank has been appointed as Executive Director in New Bank of India ;

(b) if so, what are the special circumstances which led to this appointment ;

(c) whether it is also a fact that the appointment of the said officer has been made with a view to promoting him as Chairman in due course ;

(d) if so, whether Government have formulated any policy of inducting officers from non-nationalised banks to nationalised banks ; and

(e) whether there are any other such cases of induction of officers/ persons of non-nationalised banks in the nationalised banks during the last three years ?

**THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY) :**

(a) to (e). An Executive Director was appointed in the New Bank of India with effect from 13th April, 1982 who previously held the office of Chairman, Lakshmi Commercial Bank Ltd.

2. The Central Government, in consultation with the Reserve Bank, selects persons for appointment as Executive Directors or Chairmen of the nationalised banks having regard to their suitability and all other relevant factors. Selection for such appointments can be made from persons available in banking industry or from amongst persons outside the banking industry who have, inter alia, knowledge and practical experience of financial, economic or business administration. In the past, Chief Executives have been appointed in the nationalised banks from public sector undertakings private sector banks, retired Government servants and National Institute of Bank Management. Also, consequent on the nationalisation of six private banks in 1980 some of the erstwhile Chairmen were given fresh appointment as Chairman and Managing Director of the nationalised banks.

3. Thus, it will be observed that the appointment of the Executive