

The above anomalies and distortions have come into existence on account of the terms of the 1974 settlement entered into by the Life Insurance Corporation of India with its class III and class IV employees. According to this settlement, there was no ceiling on either bonus or dearness allowance. This was not in tune with the generality of practices obtaining in other Public Sector Undertakings or the Central Government. This also led to distortions and disparities within the organisation and also caused a heavy financial burden on the Corporation over a period of years. Government has since initiated suitable remedial measures to prevent further distortions.

(d) At present no such proposal is under consideration of the Government.

Evasion of income-tax by investments in Special Bearer Bonds

*8. SHRI D. HEERACHAND: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware of the possibility of conversion of white money into special Bearer Bonds in order to evade income-tax; and

(b) if so, what steps have been taken in this regard to check loss of income-tax revenue?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SAWAISINGH SISODIA):

(a) and (b) A statement is laid on the Table of the House.

Statement

(a) and (b) The Special Bearer Bonds Scheme will be completely independent of the tax system. The subscribers and possessors of the Bonds will not be required to answer any question regarding subscription to or acquisition of the Bonds. Section 4 of the Ordinance provides that the subscription to, or acquisition of,

Special Bearer Bonds by any person shall not be taken into account for the purpose of any proceedings under the Income-tax Act, the Wealth-tax Act and the Gift-tax Act. Further, this section specifically provides that no holder of the Bonds will be entitled to claim any set-off or relief in any proceeding under the direct tax laws on the ground that he has subscribed to, or otherwise acquired, the Bonds. He will also not be entitled to demand reopening of any of his completed assessments on the ground that he has subscribed to, or has otherwise acquired, the Bonds. It will not be permissible for any tax payer to claim in his wealth-tax proceedings that any asset includible in his net wealth has been converted into the Bonds. Lastly, it will not be competent for any person to claim at any time before the date of maturity of the Bonds that any sum credited in his books of account or otherwise held by him represents the amount received by him on the transfer of the Bonds.

It will, however, be open to investors to bring the money received on redemption of the Bonds in their books of account, without attracting any tax liability.

These provisions would adequately secure that the possibility of conversion of 'white' money into Bonds is extremely remote.

Institution and obstruction at sales counters of Special Bearer Bonds

*9. SHRI PRAKASH MEHROTRA: Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to the reported advice given by Shri George Fernandes to Lok Dal workers in Trivandrum recently that they should line up before the Banks selling Special Bearer Bonds and snatch away the money from the persons coming there for investing in these Bonds;