

[Dr. pratap Chandra Chunder]

words 'establish and' are proposed to be deleted from the Preamble. Government proposes to introduce the Bill during the current session of Parliament.

SHRI TRILOKI SINGH (Uttar Pradesh); With your permission, Sir, may I seek some clarification from the hon. Minister? Sir, the hon. Minister has talked of the historical character of the University.

THE MINISTER OF STATE IN THE MINISTRY OF LABOUR AND PARLIAMENTARY AFFAIRS (DR. RAMKRIPAL SINHA); The Member will have enough time when the Bill is brought forward.

SHRI TRILOKI SINGH; I want to have one or two clarifications. I know that, when the Bill is introduced, nobody can deny a Member of this House to take part in the debate. Sir, the simple question is, this. The hon. Minister has talked of the restoration of the historical character of the University. May I know whether the restoration of the historical character also means the restoration of minority character of the University in clear and specific terms? That is No. 1. No. 2 is this. He has talked of the restoration of powers to the University Court and the Executive Council and in the appointment of the Pro Vice-Chancellor—some such thing. May I know whether such of the powers of the University Court as existed before 1951, in so far as the appointment of the Vice-Chancellor was concerned, are also going to be restored? These are two questions on which through you, Sir, I would ask the hon. Minister to enlighten this august House.

DR. PRATAP CHANDRA CHUNDER; Sir, I will place the Bill before the Lok Sabha. When the Bill comes here, a full debate can take place.

## THE FINANCE BILL, 1978

THE MINISTER OF FINANCE (SHRI H. M. PATEL): Sir, I beg to move;

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1978-79, as passed by the Lok Sabha, be taken into consideration."

Sir, the Finance Bill has been before the hon. Members for nearly nine weeks. On a careful consideration of valuable and constructive suggestions made by hon. Members of Parliament, members of the public, chambers of commerce and trade and professional bodies, a number of modifications were made to the proposals contained in the Finance Bill, and these have been incorporated in the Bill as passed by the Lok Sabha. I shall confine my observations to explaining the main changes that have been made in the Bill during its consideration in the Lok Sabha, beginning first with direct taxes.

In order to put a curb on extravagant and socially wasteful expenditure on advertisement, publicity and sales promotion at the cost of the Exchequer, the Bill provides for the disallowance of a part of such expenditure in the computation of taxable profits. Under the Bill as introduced, no disallowance was to be made under this provision in cases where such expenditure did not exceed Rs. 20,000 in a year. This exemption limit was felt to be unduly low and might not cover expenditure incurred even by small and medium enterprises. In order to avoid hardship in the case of small enterprises, the monetary limit of Rs. 20,000 has been raised to Rs. 40,000.

It had also been represented that the proposed measure will seriously impair the viability of small newspapers. In order to ensure that this measure does not have any adverse

effect on the advertisement revenues of small newspapers, the relevant provision has been amended to provide that no disallowance will be made in respect of expenditure on advertisement in any newspaper with an average circulation not exceeding 15,000 copies a year. Certain other items of expenditure on advertisement, publicity and sales promotion have also been excluded from the ambit of the proposed measure and, as such, no disallowance will be made in respect of expenditure on these items. The items of expenditure so excluded relate to maintenance of an office for the purposes of advertisement, publicity and sales promotion; payment of salary and allowances to employees; holding of, or participation in, press conferences, trade conventions, trade fairs and exhibitions; and publication and distribution of journals, catalogues and price lists. The Central Board of Direct Taxes has also been empowered to enlarge this list through rules notified in the official Gazette.

The Finance Bill had sought to discontinue the grant of export markets development allowance in relation to expenditure incurred after 31st March, 1978. It was, however, represented that this tax concession could play a very useful role in diversifying and stimulating our exports and should, therefore, be retained. On a careful consideration of these representations, provision has been made in the Bill for continuing the scheme of export markets development allowance, with certain modifications.

Under the amended provision, export markets development allowance will now be available only to recognised Export Houses, small-scale exporters and consultancy firms. At present, widely-held domestic companies are entitled to this concession at the rate of 150 per cent of the expenditure incurred on the development of export markets. Under the provision as amended, such companies

will be entitled to this allowance at the reduced rate of 133.3 per cent, which is applicable in the case of other categories of tax-payers. The items of expenditure qualifying for weighted deduction have also been reduced by providing that no deduction will be allowed in relation to expenditure incurred on two of the existing entries. The proposed modifications in the scheme of export markets development allowance will apply in relation to expenditure incurred after 31st March, 1978.

The Finance (No. 2) Act, 1977 had introduced a provision for the exemption of long-term capital gains in cases where the sale proceeds arising from the transfer of a capital asset were re-invested within six months in specified assets. Under the Bill as introduced, fixed deposits with banks made after 28th February, 1978 were taken out of the category of specified assets. This modification had been proposed because banks allowed substantial loans and advances on the security of fixed deposits with them. In the result, tax-payers who obtained exemption from capital gains tax by making such deposits got an unduly large tax benefit without commensurate sacrifice.

On a careful consideration of the representations received, the relevant provisions have been amended to continue fixed deposits with banks as an eligible mode of investment, subject to the fulfilment of certain conditions which are intended to ensure that no loan or advance is taken by tax-payers on the security of such deposits for a period of three years. One of the conditions is that a taxpayer making fixed deposits with banks for the purposes of this exemption will have to furnish a declaration in writing to the bank that he will not take any loan or advance on the security of such deposits for three years. He will also be required to furnish, along with the return of income for the relevant assessment year,

[Shri H. M. Patel]

a copy of this declaration duly attested by an officer of the bank. Finally, at the end of three years the taxpayer will have to furnish to the Income-tax officer a certificate from the bank to the effect that he has not taken any loan or advance on the security of such deposit during the three-year period.

The Bill as introduced provided for a deduction, in the computation of taxable income, of 50 per cent of the amount invested by a tax-payer in equity shares of new industrial companies. With a view to providing a stimulus to house building activity, the relevant provision has been amended to extend this concession to investment in equity shares of new companies established for providing long-term finance for the purchase or construction of residential houses in India. Investment in shares of such finance companies will be eligible for this concession only where the company is approved in this behalf by the Central Government. 4 P.M. The Bill seeks to relax the test of residence in India in the case of Indian citizens employed outside India, who visit their home country on leave or vacation. Under the provision as introduced, this concession was restricted to cases where the service of the Indian citizen outside India was sponsored by the Central Government or the terms and conditions of such service were approved by the Central Government or the prescribed authority. As this restrictive condition would have resulted in avoidable inconvenience and difficulty to such persons, the provision containing this restrictive condition has been deleted from the Bill.

The Finance Bill makes it obligatory on every tax-payer to pay advance tax on a voluntary basis. Under the Bill as introduced, new tax-payers,

that is, those who have not been previously assessed to income-tax, were required to make an estimate of advance tax payable by them before the date on which the first instalment of advance tax fell due in their case. As it would be difficult for tax-payers who have newly set up a business or profession to make an accurate estimate of their current income early in the accounting year, the relevant provision has been amended to provide that new tax-payers may furnish an estimate of advance tax before the date on which the last instalment of advance tax is due in their case.

The various modifications made in the provisions relating to direct taxes will result in a loss of Rs. 10.5 crores in a full year and Rs. 8.8 crores in 1978-79.

I shall now deal with the changes that have been made in the field of indirect taxes.

It has been brought to my notice that not all power that is generated is available for utilisation. This is due to the use of power for auxiliary consumption and due to transmission and distribution losses. Since the excise levy on electricity is a duty on production and not on sales, the losses on account of transmission and distribution cannot be taken cognizance of from the strictly legal point of view. However, keeping in view the practical aspects of the matter, I have given a uniform reduction of 10 per cent of the duty payable on the current generated after deducting the auxiliary consumption, thus restricting the levy to 90 per cent. Hon. Members will recall that I had already exempted electricity used in auxiliary consumption from the new levy.

I had announced as part of the Budget proposals that a rebate of duty would be granted on electricity used for agricultural purposes. With

a view to facilitating the administration of this rebate, I have now made it available to electricity supplied by the Electricity Boards and others at their agricultural tariffs for agricultural purposes.

There is an inevitable time-lag between the generation of electricity and the collection by the State Electricity Boards of their dues from the consumers. Keeping in view the normal time-lag, instructions have been issued to the Central Excise authorities to allow a \* period of two months within which the producers could pay the duty.

It appears that there are some practical difficulties regarding the collection of the amounts due to the new excise levy from the electricity consumers in respect of the first one or two months beginning the 1st March, 1978. While I do not consider that there is any case for waiver of the levy itself, I have instructed the Department to allow, if need be, payment of the duty due in those months in easy instalments. -

It had been urged that the duty on electricity falls heavily on certain industries. There are some industries, such as aluminium, in which electricity forms a significant part of the actual cost of production of the goods. I recognise the desirability of affording some relief in respect of such industries so as to maintain the availability of essential products at reasonable prices. This question is being gone into in consultation with the concerned Ministries for appropriate action at the earliest.

On the analogy of the exemption already granted to electricity used in auxiliary consumption, I have exempted from payment of duty one per cent of the coal produced in the mines.

It had been urged that the procedure of availing of the pro forma credit of the duty paid on coking coal used in the manufacture of hard coke

towards payment of duty on the latter was presenting practical difficulties. Keeping this in view, I have exempted hard coke from the payment of duty. The levy will now be limited to coking coal at Rs. 7 per tonne and other coals at Rs. 5 per tonne. Honourable Members may recall that I had proposed to reduce the basic excise duty on auto-rickshaws—rickshaws used as taxis—from 12½ per cent *ad valorem* to 10 per cent *ad valorem* subject to the condition that such auto-rickshaws are registered with the transport authorities as taxis for carriage of passengers on hire. It was urged that having regard to the fact that most of the auto-rickshaws in the country are used as taxis, the observance of this condition was a needless, irksome, formality. I have, therefore, removed this condition. The modification in respect of the indirect taxes which I have referred to above and which has already been announced by me in the Lok Sabha on the 27th April, 1978, will result in a loss of Rs. 17.43 crores in a full year and Rs. 16.19 crores in 1978-79.

Sir, I commend the Bill to the House.

*The question was proposed.*

SHRI N. K. P. SALVE (Maharashtra)- Mr. Deputy Chairman, as I rise to make TOY maiden speech before this distinguished, this august and sacred, Chamber, I must express my total disagreement with the approach of the Government and the Finance Minister in the formulation of the Budget proposals and the proposals contained in the Finance Bill—the finance proposals and the legislative measures. Therefore, I consider I am duty-bound and I owe to this House and to those whom I represent in this House, to oppose this Bill.

[The Vice-Chairman, (Shri U. K. Lakshmana Gowda) in the Chair]

There was a time when the Budget and the Finance Bill were considered extremely innocuous and innocent

LShri N. K. P. Salve]

instruments purely to be able to raise some revenues to the Government so that they may be able to defray and meet their household expenses. But these concepts have long ago been despatched to the limbo of anachronism, and the finance proposals contained in the Budget and the Finance Bill are considered today, in fact, an extremely powerful weapon in the armory of the Government which a dynamic and an Imaginative Finance Minister in a dynamic Government can use in many ways—in fact, to regulate and control all the monetary, fiscal, commercial, economic and social disciplines. In fact, it is the sharpest instrument which can be used effectively to bring about economic welfare, economic prosperity, to achieve a miracle of economic prosperity as well as to achieve the objective of social justice. However, ever since the Budget and the Finance Bill were introduced in the Lok Sabha about nine weeks ago, it would be noticed that almost every sane and knowledgeable person has voiced very grave concern, very grave anxiety, about the future welfare of this country, about the economic position as it may emerge in the days to come. The economists, the financial wizards, the captains of trade and industry, professionals in the economic field, without exception, have unequivocally criticised the extremely reckless and thoughtless approach. The economic journals without exception have condemned the Budget and the Finance Bill mainly on three grounds: Firstly, very widely it has been criticised that the massive Budgetary deficit of nearly Rs. 1,100 crores as projected, as per the Estimates, will unleash a ferocious inflationary spiral; it will bring about, it will spell out, a galloping inflation in this country—Rs. 1,100 crores is what is projected as the deficit—if the mismanagement of the economy and the mismanagement of the administration in this country continue to be what it has been in the last year, and if it does

'not deteriorate any further. Last year, that is, 1977-78, the deficit had been projected to be Rs. 84 crores. Mr. Vice-Chairman, in actual figures it was about 975 crores—almost eleven times more than the projections. God forbid, if it is not relevant times, one would reasonably expect that it would not be less than three to four times. If it ever is three to four times, the havoc it will create and the con-cordian speed with which the prices will rise are matters which have been causing very grave concern and very grave anxiety to the people.

The second criticism levelled against the proposals contained in the Budget and the Finance Bill has been that the aggregate proposals have no concerted plan and they have no strategy whatsoever for augmenting investment. And if there are certain provisions for augmenting investment, they are extremely feeble, they are extremely weak, emasculatory and half-hearted. They are never going to achieve the objectives the Finance Minister mentioned in his speech when he introduced the Bill. At any rate, it is impossible. And there is no concerted effort to tackle the problems of unemployment and under-employment.

The third objection which was extremely vociferously voiced by all the cross-sections of this country is to some of the proposals and some legislative measures which are extremely irrational and pernicious and which are, therefore, likely to be counter productive. Sir, I should be referring to some of them.

The rigours of the inflation can only be arrested if massive investment into the private sector and public sector is stimulated and if efforts are made for maximisation of production and optimisation of efficiency in productivity, sir, if one is to look at things objectively and assess the performance of this Government vis-avis the growth of production and vis-avis growth of income in 1977-78, one must not take it that there are going

to be any miracles because the law of economics knows of no miracles; it only knows of cause and effect.

Seen in terms of Government revenue, the picture is exceedingly dismal, exceedingly dark and exceedingly disheartening. If we look at the figures in this context, we will find—I am not having the figures ready with me—that there is a reversal of change. It has considerably declined in terms of actual figures. If you compare the collections with the projections so far as excise revenues are concerned,—I hope the Minister will correct me—I think, as compared to the projections, the actual collection of excise is less by about Rs. 140 crores.

There were also similar variations with reference to the corporation tax and there were similar variations with reference to the income tax also. These bring about a very dangerous and deleterious reversal of the trend of the earlier two years as compared to the estimated figures of collection of revenue for this year, namely, 1977-78. If the targeted or estimated figures or if the projections are not reached, it is a tragic comment on the state of economy. It only shows that at the level of 1977-78 we have not been able to achieve the projections which we had set for ourselves. Growths of income have not been what had been projected before. And if such state of affairs continues in this year itself, then it is very likely that our Budget which has been causing very grave concern and which has left a very large deficit will play havoc with the lives of the citizens of this country, particularly with the lives of those who are less privileged and under-privileged, with the life of the common man—a man not so uncommon in this country—who perennially lives below the poverty line and with the lives of persons who are unemployed and under-employed. I referred earlier to the fact that some journals have commented adversely on this. They are not people who are

men with any party predilections or affiliations. They have commented adversely on this deficit. One of the journals has commented on this and described it, while writing its leading article, as "Deficit Growth", that "Deficit without Growth" and that is what it has to say so far as the deficit is concerned. I would like to request the honourable Finance Minister to very seriously ponder over this and consider that these are comments not purely of those who might try to run him down or his party. So far as he is concerned, Mr. Patel is an able man and is a gentleman and no one would like to run him down. Certainly not. But, sir, how can a man of his ability be lured into committing such Himalayan blunders while formulating this Budget? "Deficit Growth", "Deficit without Growth"—this is what the "Economic Times" has said in its leading article of 1st March 1978.

"To meet his objectives, he has given the domestic economy the largest single dose of deflation in recent years with an uncovered deficit of Rs. 1,130 crores. Unless the economic policy is directed towards sharp increase in investment in public and private sectors and increased production, almost everybody would come to grief. It must be hoped that Mr. Patel will respond flexibly and speedily to any evidence that too little has again done too late."

Sir, this is what "The Economic Times" has said about this. It has further stated:

"It is doubtful whether the fiscal measures announced are adequate to guarantee the growth rate that Mr. Patel has in mind."

Sir, with this massive deficit projected at 1,100 crores, which is likely to be three or four times more than what it was earlier and the growth rate of five per cent not being achieved or reached, it is going to spell disaster for the-

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economy and ruination of all the objectives which we have by way of social justice. If one were to evaluate objectively as to what these measures are for promoting savings and investment, one would find, Sir, that they are not imaginative and, far from being imaginative, they are exceedingly feeble and inadequate. There are three such measures and I would like to go into these measures very carefully. The first of them relates to the deduction in respect of investment in equity shares of the new industrial companies. To lure, what is described as risk capital, sir, a new section, section 80 CC, is sought to be inserted which will allow a deduction of about fifty per cent of the cost of acquisition of equity shares, as what is known as eligible issue of capital, subject of course, to a maximum of a thousand of such purchases.

SHRI R. R. MORARKA (Rajasthan);  
I don't think so.

SHRI N. K. P. SALVE: 55,000 is the maximum allowed. It is an extremely artificial measure. I am sure that the Finance Minister would know better than anybody else and Mr. Morarka is there and he would also know that whenever an economy is in a state of buoyancy or in resurgence, every new issue is oversubscribed, whatever may be the gestation period, whatever may be the prospects of the company, whether it is two years or three years or four years. They are over-subscribed. There are companies and companies and companies which are likely to make sufficient profits in about two years' time to pay for the cost of acquisition. There are companies which have a larger gestation period and they may not be able to get this risk capital for two or three or five years and they may not be able to give anything in return by way of dividend on the capital. Possibly, Sir, he had this in mind. My respectful submission is that this sort of incentive which is sought to be given

is not very good because if it is a company which is not going to give any dividend for five or seven or ten years, they would buy shares in a company which is going to give dividend in about two years' time and which, in any way, would be subscribed, whether you give an incentive or not. As a result, what is going to happen is that this is not going to work in favour of the companies which are newly floated, which are likely to have a longer gestation period before going into production or before they start making profits or before they start giving dividends to the shareholders. This would only benefit those shareholders who would like to buy shares in companies which would give them dividends within about two years or so. Now, cement companies are coming up. Then there will be no dearth, so far as subscription to the cement companies is concerned. Then chemical companies are coming up. There is always over-subscription in chemical companies. There is a large number of companies—I do not want to mention their names—for which it is impossible to find subscription. This is not going to help in any manner whatsoever. And this is given to every industry, unrelated to any priority, unrelated to the gestation period. I submit, Sir, that he should have a good look at this sort of provision. He has been a distinguished bureaucrat; he should know how bureaucrats function. They must not take a Minister for ride as he seems to have been taken. This is nothing but self-deception. And, at any rate, if we really want to give this sort of incentive, which I do not want to subscribe to, let it be an incentive which should be applicable to priority industries only and industries which we need in this country, and not industries which will be manufacturing consumer goods and fashion goods and such industries. Let there be a generous incentive for such industries. Let the limit be Rs. 25000; let hundred per cent be allowed by way of deduction.

The second incentive is given by way of certain raising of ceilings in what is known as certain medias into which investments have been made which are allowed as deduction in the computation of total income—life insurance, deferred annuity, public provident fund, cumulative time deposits, etc. This again is such a feeble attempt. The people who invest in this sort of media are people who get some relief in the computation of their total incomes and get something by way of tax relief. They are those people who have already paid the maximum that they can. Today, as it is, there is such an inflationary spiral as compared to the prices prevailing during the emergency. The prices of necessities today are not less than 150 per cent or 160 per cent without their being any reason whatever. If prices were higher during 1973, 1974, 1975 or 1976, there were very good reasons for that. The prices of petroleum products, petroleum exports had spurted out of all proportions, and that had brought about the ruination of the economy not only of developing countries, but even the most developed countries' economies are in terrible jeopardy. We had at that time to import foodgrains. Today we are in the most comfortable position regarding foodgrains. We had to import fertilisers at that time. Today we do not need that. We are one of the most developing countries and are in one of the most enviable position in reserves, so far as foreign exchange is concerned. Then, what is the reason, Sir, accepting sheer incompetence, sheer inefficiency, of this Government that today prices are spiralling again? The prices of rice, prices of pulses, prices of vegetable oil, prices of vegetable ghee, etc. are rising every day. There is no reason for that, Sir. The reason, if there is, is only this that this is a Government which is bound to be inefficient; it is bound to be incompetent. There is no cohesive thinking in them. They do not have any political philosophy to work and implement. They are incapable of inculcating a certain disciplined approach in the whole matter.

And that is bringing about this sort of misery. Add to this the deficit which will run up to Rs. 3000 crores, without any growth and imagine the misfortune that really awaits the common man.

Sir, there is a third measure, and that is regarding the capital gains. There is a little modification in section 54 (e) to the effect that if long-term capital gains are invested in eligible issues of a new company, they will be exempt. A new clause has been inserted in section 54(e) for this. Again, Sir, I really marvel at the extremely—if I may use the word—childish approach in the matter. There are many other assets into which the long-term capital gains can be utilised. Who is to put his money in this sort of shares for ten years, if he is not going to receive anything and if there is any choice available to him? But where eligible assets are not going to be rewarding and they are not going to pay dividend to him, why would any person, unless he has become insane, invest? Why would he not invest in other specified assets like Unit Trust or put them in deposit? I was smiling when the hon. Finance Minister said that by the amendment he has brought about, no loan or advance can be taken against the security of the deposit. I hope, Sir, that this is not what his draftsman or other people have told him. If this is what he has been told, I must submit that he has been completely misled. The only restriction is that the assessee will not take any loan or advance on the security of such a deposit. Suppose I make a capital gains deposit. I have no capital and, therefore, it is only hypothetical. Assuming that I were to make a capital gains deposit in a bank, then I cannot take a loan on it. But what prevents me from making my wife raise a loan and pledge it as a security. My son or my uncle can raise a loan. It is a joke that they are having and he is making a statement here. I was listening to his speech very carefully that no loan or advance can be taken on securities. Only the assessee



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cannot take. Everybody else can take. It *may* be used in any manner whatsoever. It can be used by way of security for any other purpose except for purposes of his loan. If all these facilities are available, why should I put my money in the security deposit and why should I purchase a share which is not going to give me dividend for ten years? Therefore, my respectful submission is that all these supposed incentives absolutely mean nothing and as a result of this, there is going to be no augmentation whatsoever. It is a different thing if the economy picks up for no fault of theirs or to no credit of theirs. If it picks up on its own and things come about despite what they say and despite this Government, then I have nothing to say. If one were to follow the specific steps and the measures taken, then they are a very big zero and nothing is going to come out of them. This deficit is the most pernicious thing that could have come about in our economy at this stage. Sir, deficit finance is not the same as raising loans from the public or as raising loans from outside. Nor is it the same as taxation direct or indirect. It is a completely different phenomenon and if you were to see in the terms of economics, then I will quote an economist. One gets staggering figure of spurt in money supply that will come about. It will give an idea of what we are heading for and what is the disaster that awaits this country. Sir I am referring to a great economist who has written "Is Budget Deficit Excessive". In this he writes:

"The size of the deficit is not a mere accounting matter. The budget deficit finance by borrowing against the treasury bills and drawing down of balances infuses high-powered money into the economy unlike the taxation or borrowing from the general public. Therefore, it enhances the purchasing power of the people not only to the extent of the deficit but by much more. This is for the

reason that the money multiplies." This calculation that I have, is based on 1100 crore deficit. He further says:

"It would thus seem that during 1978-79 there would be an infusion of Rs. 2980 crores of additional high-powered money, a part of which will return back to the RBI through purchase of government securities by the commercial banks."

It means that if the deficit is Rs. 1100 crores, then because of the multiplying factor, the actual deficit would work out at Rs. 2980 crores. He further writes:

"As a result, the total additional money supply in 1978-79 may be Rs. 3000 to 3500 crore, 16—18 per cent more than that at the beginning of the year."

It is based upon a figure of again Rs. 1100 crores. If we were to go even two times assuming that the Government becomes five times more efficient, then the projections would at least be twice. If it is twice as much, the spurt in money supply will be Rs. 7000 crores. One can imagine what fate will await all these people. I submit in all humility and I request the Minister to consider whether he really believes that the deficit will be confined to only Rs. 1100 crores? Does he really believe that 5 per cent growth will come about? Does he really believe that this multiplication factor when it comes about and the money spurt that will come out will also correspondingly generate sufficient goods, will generate sufficient services, and the goods and services generated will catch the spurt in money supply to avoid any inflation in the economy because, Sir, the management of the Government being what it is, people are extremely doubtful and they are extremely apprehensive. They had great expectations, they had great hopes, they had high hopes from the Party which assumed power in 1977. Gradually, those hopes were demolished. Those hopes turned into frustration and from frustration, it is turning into indignation because, Sir,

the economy of a country should not be run by the private whims and fancies of any individual. I submit that there should be a very objective evaluation of these matters by a set of people who know what their job is. May be, Sir, because I belong to the Congress (I) Party, it might be said that my Party predilections impel me to criticize this. What about the necessity of bringing all these figures? Are they talking nonsense or are they talking this to support us or to run them down? No answers were given to these questions which have been raised.

SHRI N. G. RANGA (Andhra Pradesh);  
Most of them are on their side now.

SHRI N. K. P. SALVE: Sir, I referred to three criticisms. The second has been that the provisions of direct and indirect taxation are extremely unimaginative, thoughtless and recklessly inflationary. They will neither cater to the economic growth nor will they cater to the objective of social justice. They will neither augment investment nor will they fight unemployment or underemployment. And may I, at this juncture, deal with a few aspects of direct taxation and show how utterly irrational and how thoughtless these provisions are?

Sir, I shall first take up the increase in the rates of compulsory deposit and I charge this Government that the increase in the rates of fixed deposits is the greatest fraud they are trying to play on the citizens of this country. Sir, when this scheme was brought in in 1974, when the Compulsory Deposit Scheme (Income-tax Payers) Bill was introduced in 1974, the objective of the enactment was clearly spelt out, and I want the hon. Finance Minister to deal with it when he replies. Sir, the objective was clearly stated here and I quote: 327 RS—8

"In recent months, inflation has assumed alarming proportions. The wholesale price index and the consumer price index have been advancing rapidly. The increase in prices has been affecting seriously all sections of the community, particularly the weaker\* sections apart from imposing, severe financial strain on the Central and State Governments. In order to deal urgently and effectively with the mounting pressure of inflation, it became necessary for the Government to take a number of measures<sup>7</sup>: As part of these measures, the President promulgated the Compulsory Deposits Ordinance of 1974 on 17th July."

Sir, what is the object now of continuing this? You are making me to pay this money out of my hard-earned income, the residual income which is left despite the never ^abridged gap between what is left after the payment of taxes and the higher prices that I have to pay. Now, what is the objective for which they are increasing the rates of compulsory deposits? Sir, one thought that it was the emergent measure and it would come to an end. This is no part of taxation of income. It never has been a part of taxation of income in any civilized country anywhere in the world. It was taken as an emergent measure. It was taken as an extraordinary measure. And now what does the Finance Minister write by way of the objective? He says and I quote; "In order to mobilise additional resources in the form of savings, it is proposed to raise the rates of compulsory deposits." Is it not a fraud? Is that the purpose of the law? That is not the purpose of law. That never was the purpose of the enactment and you have no business, you have no business whatsoever, to mobilise additional resources from the law connected with taxation. Under an extraordinary measure, a purely temporary measure, which was taken, you are going to

[Shri N. K. P. Salve] lock up my money for seven years and aggravate the hardships that are being already caused. Is there any justification, Sir? Is it not double taxation? They take away my money. Today very little is left, as it is, after payment of taxes and out of that also they will take and the last of the instalments will be paid' to me after seven years when the value of money would have further depreciated, when the purchasing power of the rupee would have further gone down. You are taking away the money. What authority have you to do that? It implies that you are perpetrating a fraud on us. Otherwise, admit that your purpose is to check inflation by means of an emergent measure. If that is not so, you have no business to carry on with the continuation of this sort of a scheme, which was taken purely as an emergent measure. Sir, there are so many things of this nature. But time does not permit me to go into all of them.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): You have already taken 30 minutes.

SHRI N. K. P. SALVE: Sir, I shall try to be as brief as possible.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): There is your Party time. You can go ahead.

SHRI ARVIND GANESH KULKARNI (Maharashtra): Sir, will you give the same time to other Members also?

SHRI N. K. P. SALVE: Sir, a great furore took place the other day in the House when questions were asked regarding arrears of taxation. The hon. Minister of State for Finance, who is in charge of the revenues, was at great pains to answer the questions regarding arrears of taxation. He appealed to be a very venerable fine gentleman, who obviously knew

nothing about taxation. Members were very unsparing to him. That was the reason why I did not ask him any questions. Obviously he had no idea. In fact, he got up and said that there were some difficulties in the collection of taxes and in the collecting procedures and we shall have to impose penalties. He has no idea of the manner in which our Act is framed so far as the collection of revenues is concerned. Hardly is there any fiscal enactment anywhere in the world which gives such wide powers, the powers not only to levy penalties but to issue garnishee orders where he can forestall transfer of any assets. There are provisions in the Schedule whereby he can take coercive measures, confiscatory measures, prevent transfer of any assets whatsoever, prosecute a person for fraudulent transfers. What more do you want, Sir? He can put a person behind bars for civil offence. But not even one case ever succeeds because they do not know what the real cause of the arrears is, they never want to lock into it.

Sir, the distinguished Finance Minister is one with whom I had the privilege of working in several Select Committees. At that time I found him to be a great champion, votary, of the cause of assesseees. He was extremely allergic to any provisions which caused any harassment to the assesseees. I shall come to that a little later. I shall show you now how the provisions are going to cause a great deal of harassment to the assesseees. But I want to point out to him that was it not he and he alone who had said that the real cause, real malaise, of the black money was vexatious, unrealistic assessments, in which the officers of the Department deliberately and wilfully did not make proper investigations, but made extremely perfunctory assessments with the result that such assessments did not stand scrutiny of the appellate courts, the High Courts and the Supreme Court. It is no use blaming the

appellate courts. It is no use blaming those who are not able to recover. Why don't you make your machinery for investigations—so solid and so sure that you make assessments in time on a solid footing, prevent the assessee, especially the bigger houses—huge money are due from bigger houses and let us not think that the bigger houses do not have the money to pay taxes—in outwitting the Department. If they succeed in that, the only reason is the sheer incompetence, not of the Government but of the officers—and it trickles down who are unwilling to take their work seriously, who are unwilling to make the assessments seriously and form correct assessments, which would stand the scrutiny of everyone else. Once upon a time the Finance Minister used to be the champion, the votary of the theory of costs and damages, and to avoid vexatious assessments, over-pitched assessments, purely as a subterfuge to give people undue relief, bring a very unwilling assessee and make an assessment of Rs. 1 crore. Ultimately, even Rs. 10,000 will not stand. You go on making any assessments in the eyes of the superior officers. You might be a very good man and you have been assigned the liability of one crore of rupees but how are you going to collect this one crore of rupees?

A section was inserted by the Taxation Laws (Amendment) Act, 1973 which was substantially modified by the Select Committee of the Lok Sabha, of which the honourable distinguished Finance Minister was a Member. Sir, that section was inserted only for one purpose that the Inspecting Assistant Commissioner of Income Tax should be vested with power and authority to see to the assessment wherever there was a litigation or variation in total income of even one lakh of rupees, that if the Income Tax Officer wanted to add anything, even one lakh of rupees, the matter should go to the Assistant Commissioner of Income Tax,

a senior experienced officer, to look into and enable proper assessment so that vexatious assessments are not made and the litigation is avoided and the assessee gets what is due to him and also the Department gets what is due to it. It was purely an enactment with a view to avoid litigation. Will the Finance Minister look into it and tell us that after this section was inserted, how much of the litigation has increased? This has given a bonanza to accountancy and legal professions. It was meant to get the Department to do the right thing at the right time when there are so many arrears. But the effective arrears are very little. Evasion is massive.—evasion in the sense that it is there in various ways. But it is for you to make it but the officers are not willing to make it. We have vested in them draconian powers but they fail to use them and do not fall back upon their own hard work to catch where the mischief is. And, "therefore, I submit, Sir, that it is necessary for the Finance Minister to go to the real cause so far as the arrears are concerned.

There is a new amendment sought to be made in section 1(4) regarding depreciation on housing for the employees upto ten thousand and below, for their housing, for the hospital, for the creches, the school, the canteen, the library, the recreation centre and the lunch room for such persons. I welcome it. The depreciation on such buildings will be 40 per cent. The other day, Shri George Fernandes made a statement in the FICCI and he said: How wonderful a situation it will bring about if the industrialists were to earmark two hundred crores of rupees for construction activities! Imagine the bricks it will need, the cement it will need, the sanitaryware it will need, the furniture it will need and so many things it will need. It will bring about an augmentation of the economic activities. That itself will bring about a growth in income more and more. Yes, I agree that you have increased it from 20 per cent to

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40 per cent but if you want to build up a welfare State, is it not the responsibility of the Government, in fact, to provide industrial housing? The minimum you can do is at least to allow 100 per cent deduction for these people and assure these safeguards. There are no safeguards. In fact, all the land and buildings are debited. They relate to this particular item for larger depreciation. These buildings are smaller; other buildings are bigger. The whole point is, the value of these becomes wholly disproportionate and such disputes do arise. I submit that you allow 100 per cent deduction and keep a stringent watch over it. You give the plan; you give good houses to the industrial workers; assure them good and decent living and let it be the exchequer's subsidy. After all, the corporate sector is very cheaply taxed. It is not taxed more than 35 per cent or 34 per cent. Individual taxation is growing. I shall be quoting to you facts and figures as ascertained by the Research Department of the Economic Times. The corporation tax is not more than 35 per cent and still it is not taxed. It is their extremely favoured sector. Not a single rupee of tax is increased on the corporate sector, whereas an immoral enhancement was made in taxes on the individual last year and now this compulsory deposit rate is increased. It is not only unfair, it is utterly immoral and unjust.

I come now to the most controversial provision, insertion of Sub-section 3(A) regarding the statutory disallowance on advertisements, publicity and sales promotion. At the outset, I submit, Sir, the manner in which the whole provision has been framed, so far as the big assesseees are concerned and those who can afford expensive advice, will have no problem. I want to make it clear. People who do refined tax planning will get a hundred per cent deduction so far as advertis-

ing, publicity and sales promotion are concerned. So, far as they are concerned, there is to be no problem hereafter. However, there are massive and large loopholes left in the provision as it has been made and the people who take good, expensive legal advice will have no problems in getting the entire amount deducted by way of advertising, publicity and sales promotion. But we oppose this sort of a provision in principle because, basically, we submit that excepting that they aver that this is a socially wasteful expense, there is no allegation that this is ever used as a device for other purposes. There is no allegation that expenses of a personal nature and other expenses of a luxurious nature are masqueraded as expenses by way of advertising, publicity and sales promotion. Who is the Finance Minister or the Prime Minister to determine what ought to be an expenditure for business as long as it is a business expenditure, genuinely incurred for purposes of the business, wholly and exclusively incurred for purposes of the business and honestly incurred for purposes of the business? I may like to run my business in a particular manner. It is my option. This has been upheld by the Supreme Court and by the various courts in the world. It is my option, to earn as much income "as I want to earn. Your right is to tax the income and not to call anything wasteful that goes into the business before earning the income. Your right is only to tax the income. Therefore, we oppose this provision in principle. Further, this is an innovation unknown in fiscal legislation even in India. We, Sir, in our own times, have made the most stringent of the provisions. We have given draconian powers to the officers. We made several provisions which were extremely harsh, as considered by him. But we never bartered away a principle as this Government has bartered away. The champion and votary of the rights and liberties and the freedom of the people has divested them unabashedly of this freedom which is their right. If there is the

slightest element of abuse, disallow the whole thing. If there is the slightest element of suspicion that this sort of expenditure which is being incurred is deleterious for the society, then, it is a matter for you, in the public interest, to take a different view of the matter. Is it an obscene expenditure? If some naked pictures are being brought out and you are allergic to them, there are other laws which can take care of it. It is not the income-tax law which should take care of this sort of a matter. I would like to quote the authority who was, once upon a time, the champion and votary of the rights of the assesseees. This is what he said with reference to the provisions of the income-tax law, which, he thought, were harsh. This is what the great champion and votary of the rights of the assesseees said:

"The provisions of the Bill give wide powers to the income-tax authorities which encroach to a greater extent than is necessary upon the basic rights of individual liberty and privacy. Such powers are unheard of and unknown in democratic countries. They can only be exercised in a police State or under a dictatorial regime. It is noteworthy that there is no provision to protect the innocent taxpayers against harassment or blackmail from the income-tax authorities or any other person. More-over( the proposed powers go far beyond the recommendations of the Wanchoo Committee."

This was with reference to the powers given to the incometax officers in regard to searches and seizures when they thought that there was tax evasion or there was concealment of Income. With reference to that this great votary of the liberty and the privacy of the individual wrote in a minute of dissent of a Select Committee which I had the privilege to chair. Swearing by the Wanchoo Committee, this provisions was considered condemned. That valiant Member was one Mr. H. M. Patel of

the Lok Sabha. He was then a champion and a crusader for the cause of individual liberty and privacy. He was a private Member then. Today, he is the Finance Minister and he has turned his coat, and he has a right to turn his coat, completely. There is one way in which you can look at the recommendations of the Wanchoo Committee. They have said 'For God's sake, do not make this sort of arbitrary disallowances out of legitimate business expenses; if you ever do so, it will be the cause for tax evasion, massive tax evasion, that would impel people to take to dishonest ways'. Of the various clauses they have enumerated, this is what they say in para 2.20(e) and there are too many. This is what they have said about 'Ceilings on, and disallowances of business expenses' The following are said to be major factors responsible for this evil and in this connection, I quote :

"(e) Ceilings on, and disallowances of, business expenses :

It has been represented that the Income-tax Act either completely disallows or imposes ceilings on certain expenses which are required to be incurred on principles of commercial expediency, with the result that such expenses, though actually incurred, are not allowed to be deducted in arriving at the taxable income. It has been pointed out that this artificial limitation adds to the tax burden, particularly in the context of the present day high rates of taxation. The examples usually cited in this regard are those relating to expenses *on* entertainment, advertisement, guest houses, travelling and perquisites to directors."

And, Sir, this related to expenditures in which there was blatant evafion by the assesseees, in the name of guest houses; the director used to live there luxuriously. In the modern manage^ment . . .

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THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): You have taken 45 minutes now.

SHRI ARVIND GANESH KULKARNI: He is an expert in the subject. He should be allowed to speak.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): I am allowing him. I am only making a mention here that the party timings have been allotted. Considerable time has been taken away by the Call Attention. So, the timing re-allotment has to be made on Monday. I am only mentioning that the time of the rest of the members of respective parties will be cut down if more time is taken by the first speaker. They will have to kindly bear this in mind. (Interruptions) Please listen to me. I am not trying to restrict any particular party's time. I have just cautioned that if the first speakers, take more than that amount of time, will automatically be cut down from the time allotted for other members of their respective parties. This is for all the parties.

SHRI ARVIND GANESH KULKARNI: He is an expert. Another hour should be given to that party. We will see what happens on Monday.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): That is what I am putting here. Mr. Salve, you can continue. (Interruptions) That you can take up with the Business Advisory Committee.

SHRI N. K. P. SALVE: This provision is anti-growth. This provision is meant actually to control the press. I am only surprised at the timidity of the press. As a result of this, I wish the press had retaliated and told the Finance Minister, all right, if you are not going to allow this sort of expenditure, we are not going to accept any Government advertisements for one

month and we would see how this Government functions. But the press is going to take it with such timidity, we have nothing to say. It is such a rigid, inflexible and wooden-headed provision, if the expenditure exceeds Rs. 40,000 even by one rupee you get into this disallowance provision. And the provision is so tremendously framed that the higher the turnover the lesser is going to be the disallowance. In other words, the bigger is the 'business house, the lesser is going to be the disallowance. I cannot undertake this sort of attitude. If your expense exceeds by one quarter per cent, by one rupee, then it is 12 per cent, if it exceeds half a per cent by one rupee, it is 15 per cent, unrelated to the nature of business. There are businesses which require much larger advertisements. There are businesses which do not require any advertisements. This wooden-headed provision is there, unrelated to the size of the business. I am submitting, I am warning the Finance Minister, that he better pay heed to what we are telling him. Otherwise, it is more than likely that the Bill will have to go back to the Lok Sabha. This is one provision on which we are not going to compromise. You are taking away the rights of the press. You are wanting to muzzle the press. The big newspapers, you say, are not to accept advertisements. Is it not a curb on the freedom of the press? Is it not anti-growth? Am I not entitled to sell the way I want to. And if he is not going to listen to what we say, if he is not going to listen to reason, I am afraid, I am warning him once again that the Bill may have to go back to Lok Sabha. Let them do it there. They have a steam-roller majority there. If they want to do that, let every one in the country know that this is the manner in which the country is being governed.

I shall now come to the indirect taxes and try to be brief. There is the levy on coal, energy and electricity. Some relief had been announced-

ed when the Bill was introduced in the Lok Sabha. Taxing of electricity is the most irrational thing to do. There are other levies but I do not want to go into details because my time is short. But before I come to that, there is one point I wish to make. Why is it that the corporate sector is not being taxed? Has the Finance Minister seen a recent study conducted of 251 companies by the Economic Times—101 giant and 151 mini-giant? And has he seen the figures? They showed a gross profit of Rs. 971 crores for 1976-77 and the tax paid was Rs. 344 crores. It works out to less than 34 per cent. In absolute figures, the tax paid was Rs. 34,442. This is a study only of 251 companies. And still it is the individual who must be harassed, it is the individual whose rates must be raised; it is the States who must be taxed; it is indirect tax on the small man who wants his electricity. "Why? Because these companies must be left. There are tens of thousands of companies in this country. Sir, and this is a sample study of only 251 companies. And their effective rate of taxation—never mind the paper rate of taxation—because of the incentive expenditure and weighted deductions and so on—is less than 35 per cent. Is there any justification that the individual should pay at the rate of 69 per cent plus add to that the compulsory deposit? There is no justification whatsoever for this. And we have been talking a whole lot— even in today's discussion about the Agra firing the point was made—about the delicate relationship between the States and the Centre in the federal polity. Several factors have to be properly weighed before tackling a situation which is likely to impair the relationship between the Centre and the States. They are already facing it. It has boomeranged. Their own people are talking. They are talking in West Bengal, in Kashmir and elsewhere. It has never happened earlier. Anyway, that a different aspect of the matter and I do not want to deal with it. But is it, not directly

or indirectly, taxing the State itself? Does he think that all the Electricity Boards are saturated and chipping with finances, that they have so much that they can pay all this? They say it will not affect the ordinary consumer, the ordinary man who puts on an electric button in his house in a small village. It is going to affect every body.

Then the levy on coal. It is a levy on production. This is anti-growth. It is not only unimaginative, it is not only counter-productive, it is not only something which is going to stultify growth but it is something which is going to lead to certain disaster, this is something which is going to bring about tremendous inflation in our country. And still they are merrily going about it. Where there is a deficit of about Rs. 1100 crores, we could as well have afforded a deficit of Rs. 1300 crores. At any rate why don't you cut your expenses on the revenue side. These expenses— unplanned—have increased. But that is another aspect and I do not want to go into it. The question that arises for consideration is, are you going to tax the States? Are you going to tax the Electricity Boards who are already in the red? Are you going to ultimately recover this money from the smallest of consumers? Are you going to tax coal, thereby taxing the entire production at the root? And do you still maintain that there is not going to be any inflation in the country? If you needed money, there was direct taxation possible. Why don't you raise the taxation of the corporate sector by 10 per cent? You would have thereby raised another Rs. 500 crores. But you are not willing to touch that. You will not touch it, Mr. Patel, Mr. Morarji Desai will not touch it for reasons for many which are being discussed and talked about in the newspapers. But you are going to hit the smaller man. You are going to hit those who can hardly bear the onslaught that is com-



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ing about. I am giving a warning over this also. Unless you withdraw this levy that you are going to put on coal, energy and electricity, take it from me the Bill will go back to Lok

Sabha. Finally, you will also 5 P.M. under-write this 68. You have

increased 2 per cent, of excise duty for goods covered by items in 68 from 2—5 per cent. When it was introduced in the Lok Sabha the levy was 1 per cent. And I warn the Finance Minister that he is under some discipline. He is wanting to siphon off the money and levy 1 per cent. Some day if some government comes to power, which is not going to abide by any fiscal and financial discipline it will go on to 5 per cent, and 10 Per cent. I never thought it was going to be made so high without any ability to warrant even 5 per cent. Next time It will go to 10 per cent, and even 15 per cent. Is there any justification? Are these common people who have hardly anything to fall back upon either for their living, who are not entitled to any doles if they are unemployed, who are not entitled to any housing facilities, who are not entitled to any shelter whatsoever, who are not entitled to clothing even, to be mulded with this sort of liability, this sort of impost on them? This whole principle, I submit, Sir, is exceedingly dangerous, and if you are not going to withdraw this it is going to be very difficulty. And these, in a nutshell, are my submissions.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA); I think it is time to conclude.

SHRI N. K. P. SALVE: I am ending. I am concluding by submitting that due to certain errors that the Congress Party committed during the emergency the Janata Party was voted into power. People, as I submitted earlier, nursed some expecta-

tions from them. With this stock in trade your political demagoguery is not going to last long because with this demagoguery they are even trying to get rid of the salutary achievements during the period of emergency purely in the spirit of wreaking vengeance. They are so blinded by a certain vengeance that they are not able to decide what is right and what is wrong, and as a result they have already taken the country from discipline to permissiveness. They have taken the country from hard work to irresponsible obstructiveness. They have taken the country from law-abidingness to bloody lawlessness, loot and arson. And with this Budget and this Finance Bill, I submit, Sir, they are diverting the country away from the path of economic growth and social justice to absolute and certain economic disaster and social injustice. Thank you.

SHRI GHANSHYAMBHAI OZA (Gujarat): Mr. Vice-Chairman, Sir, I do not claim to be an economist as my friend seems to be. Nor have I any desire to join issues with him. He brought heat to his argument and held out some threats also. With weak arguments what do you do when your arguments are not strong enough, you resort to threats. I am sure the Finance Minister will reply to all the points raised by him on several issues.

While summing up he made some observations. He said there is restlessness in this country, that there is lawlessness in this country and he forecast a very bad future. I would kindly request him not to compare the period of emergency with the present period. Kindly remember what was happening in this country in the various States before the emergency was introduced. Please do not compare that sort of situation with the present situation. Any party can claim in this country any person, for the matter of that, that if we had

to run the Government during the 1 emergency, perhaps, we would have shown better results than you had done during that period. That is so obvious. You cannot take credit for whatever little that had happened during the Emergency and compare it with the present state of affairs. That should be absolutely unjustified.

He made several arguments. As I j said, I am not an economist, but there were some patent mistakes, patent anomalies. For example, he waxed eloquent on the question of inflation. It js true that all of us are watching carefully this big deficit. But the Finance Minister made it explicit to the country as to how he wants to meet with the situation. As he very well knows, we have got huge gold reserves; they are going to be sold. Then he wants to exercise economy at various points in the Administration avid he feels confident that by taking several measures it will be possible for him to contain the inflation due to deficit.

He talked about CDs and used very strong words. Primarily it was meant for containing inflation and now the Finance Minister says that according to the Statement of Objects and Reasons—I have not seen it, I am sorry—it is meant for raising resources. How is inflation contained? Suppose, instead of CDS there were some direct taxes or indirect taxes, would it not amount to raising resources? Only through raising resources we contain inflation. What is the fraud and why this harsh language? I am surprised. It only shows that he has got some allergy towards this Government. We are sorry for that, but I am sure, wish is the father of thought and things do not shape as he and his friends, perhaps, want them to shape in this country. There are

so many other points but I leave them to more competent hands and will not enter into them.

Sir, we have before us the Finance Bill as has emerged from the Lok Sabha. We had been watching and we have been reading reports about the discussions that took place. We have also seen the reply of the Finance Minister to the debate that took place in the Lok gabha. I am sure that he has given reasonable consideration t0 all the suggestions that have been made both outside and inside the House. We all very well know that after the introduction of the Finance Bill, there were so many deputations and so many representations On various issues—on direct taxes, on indirect taxes, o'n ex" cise—they were all flooding—and the Finance Ministry and the Minister himself screen all these things a\*>d whatever appears to be reasonable has been acceptor by him. I do not want to enter into all these things because I do not want t0 hold out a threat that we Vill send the Bill back as if heaVPns are going to fall if the Bills sent 'back. Not at all. Not that we have not got the right to do so but, after all, we should respect the sentiments of people who are the representatives Of the people, directly elected. We are only a revising body and if there are patent mistakes we should point them out and they would take in good light and if ther» is something vital, we should point that out. But in season and out of season to say that we will send it back is, perhaps, constitutional impropriety, to say the least.

Now, Sir, the Budget proposals and the finance policy emanating from the Budget proposals provide us with a yardstick to appraise what happened during the last year and what the Government wants to do in the next year to fulfil the various promises held out to the electorate. Now, in

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the 1977 elections, the Janata Party came out with an election manifesto. We should remember what happened. After all, in normal times, if we go to the poll to win the confidence of the people, the socio-economic programme gets emphasis. A party says: These are the programmes through which, if you vote us to power, we will take the country further and remove poverty; we will take the country forward. But the 1977 elections were held in peculiar circumstances and perhaps the political content of the manifesto or the programme or the choice before the people was more than the socio-economic programme. So we have to view the whole thing in a proper perspective. So far as the political content of the party programme is concerned, they can boast that whatever was within their competence, they have done. I won't use harsh words. They have removed the distortions that took place in the democratic apparatus. There is rule of law and there is fearlessness in the country. Not a small achievement. They have established the rule of law. There are some wide reactions also and we have to contend with a certain situation. It does not matter. I am sure the people will veer round and there will be discipline—not out of fear. We do not want discipline in this country generated out of fear. Such discipline prevails in jails and prisons also. We want under the democracy a discipline which comes from within. It is a process. It will not come by a magic wand. It is not that, because some people are misbehaving, some people take the law into their hands, we should lose patience. This country has been ruled for centuries by autocratic methods and man has now come to his own. He is enjoying human rights. Even if he commits mistakes, we should have patience and we should not take any steps which will damage our democratic apparatus. So the Janata Party, so far as the political content of its programme is concerned, has

almost fulfilled it and kept the promise to the people.

It is not that I want to minimize the socio-economic programme. Far from it. Gandhiji also used to say, when the Britishers said that if they went there would be chaos, "You go. We will manage the country. Even if there is chaos, we will suffer from it. We do not want to be ruled by a foreign power. We do not want to remain a colonial country. You quit India so that we can live as human beings. We will suffer from any state of affairs, whether it is chaos or anything else". But Gandhiji also said that, while fighting for freedom, the socio-economic programme of this country should never be lost sight of. "The poor in this country will have darshan of independence only through their bread", said Gandhiji. So also the Janata Party says; Let there be freedom first, let there be restlessness; let there be some incidents taking place here and there in the country. We will take care of them. We will definitely persuade the people—the workers, the employers, the citizens—that they should behave like this, should do this and should not do that. It is a process. As I said before, it cannot be done through a magic wand. We want democracy. So things cannot be done all of a sudden. It is not so. The country wants to preserve the democratic apparatus that we have got. About the socio-economic programme, as I said, it cannot be lost sight of. In a poor country, after all, as Gandhiji said, the poor people will have darshan of democracy or freedom through their bread. So we will have to take care of that also. Let us find out whether, within the shortest time at its disposal, the Janata Party has kept up its promises and whether it has offered proper credentials, after going through the various programmes that they have initiated.

People argue that it is an anti-growth Budget. I am surprised at

this. Ours is a rural economy, agriculture-based economy. If we want to achieve growth in this country, we must remember what the contribution of agriculture to Gross National Product is. My friend, the economist, knows it very well. We cannot allow it to be sluggish. We want to promote agriculture so that it may have its effect on the general economy. Therefore, the Janata Party has put the utmost emphasis on the development of agriculture and the rural economy. We know that if more water is given to the peasants, to the agriculturists, they will take care of the land, they will develop the land, they will put the fertilizers, they will take proper care and they will see that the production goes up. During the last year and this year we see that the provision made by the Janata Government for irrigation is very high twice what was made before; it is more than Rs. 400 crores per year, while it was hardly Rs. 200 crores earlier. Is it not a step in the right direction? If you develop agriculture, do you not think that it will have a snowballing effect and our rural economy will grow? Therefore, we have said that irrigation should be taken care of first. If more lands are brought under irrigation, our peasantry will also thrive and the production will also go up.

So also, we have stepped up the programme of the generation of electricity to more than what was generated in the past. In the last year and this year they have put the utmost emphasis on the generation of electricity. It is not to be used just for luxury, for running the air-conditioners in the cities; it is to be utilised for the lift irrigation purposes and for the development of the rural industries at the village level. If you give the electricity and the infrastructure to the rural industries, I am sure, the entrepreneurial abilities and all the other factors will generate a lot of employment. So also, we can point out the several measures which they have taken for the development of the rural industries.

Much has been said that this Gov. eminent is against the public sector. The other day, my friend, Mr. Fernandes, challenged, 'Point out one public sector which is allowed to languish; point out one sector where proper funds have not been provided; point out one,' but nobody could stand up and point out, out of all these public sectors, that such a public sector was languishing because it was being neglected by the Janata Party; nobody could stand up. So, it is a myth; it is a propaganda.

The present Government says that the large scale industries have their own place. After all, they are also necessary. After all, we do not want to disturb our industrial base. If we disturb our industrial base, I do not know where we will go. After all they are also responsible for generating economic growth in several ways. So, they have said that the large scale industries would be there and that the public sector would not be allowed to languish.

The number of unemployed is even increasing, and the labour force is also going up every year. The young people who enter the age of 18 years, also want work. How is it to be given? We know that the organised sector is capital intensive, and it requires Rs. 60,000, Rs. 80,000 or Rs. 1,00,000 to provide employment to one person in the organised sector. In the large scale industries, it is much more. My friend knows it better. It is not possible. Therefore, we say that whatever can be manufactured in the cottage industries will be manufactured in the cottage industries, we will give help to the small scale industries for whatever can be managed through the small scale industries, then the large scale industries can also take care of themselves. Therefore, the Department of Industry has made reservation for nearly 500 items. Other industries will not be able to enter those fields. That will give a spurt to establishment of

[Shri Ghanshyambhai Oza]

th small scale industries all over the country. And as the Minister has also spelt out in detail, in every district we shall have an industries centre where the new entrepreneurs will be given proper information, guidance technical know-how and all sorts of help. So they do not rest content with merely putting it on paper and saying that five hundred industries are reserved for the small-scale sector. No. After saying that, they have also taken concrete steps to see that the smaH-scale industries grow up in this country.

Then, Sir, the cottage industries also require to be rehabilitated. Gandhiji also in the his own way tried to do so. For the last 30 years, through the Khadi and Village Industries Commission we have been trying to generate employment, through khadi, on the one hand and, through village industries, on the other. But we know that there was not as much faith in the ideology as was necessary. Faith was lacking. Therefore, funds were released grudgingly. I know that so many things were languishing because adequate finance was not made available to thf Khadi and Village Industries Commission. Now, this Government has come forward and said "We will not allow cottage industries to suffer for want of finances.". During one year they have stepped up the funds released to the Khadi and Village Industries Commission to double the previous figure. We know what difficulties were being faced by the Khadi and Village Industries Commission for lack of funds. They were not able to do so many things in villages. Now that this Government has put the utmost emphasis on generation of employment through cottage industries, I am sure things will look up. Even this year they hope that three lakhs of people will find employment in cottage industries. Sir, the importance of cottage industries is also not to be overlooked. Not only do they provide more employment to persons st

the village level but they also contain the population within the villages. As you know, the rush towards the cities creates so many problems, of housing, sanitation, education and what not. But if we give gainful employment to our young people *it* the village level, so many other problems will also be taken care of. So, that aspect has not been overlooked by this Janata Government.

Over and above generating employment, these cottage industries, of which I had some experience, also add to the national wealth. People perhaps overlook this aspect.

SHRI N. G. RANGA (Andhra Pradesh):  
They provide self-employment also.

SHRI GHANSHYAMBHAI OZA-They do provide self-employment. But we are not wedded to an outmoded economy. We want to adopt appropriate technology consistent with the times; and the artisan must be able to manage it. But I was making this, point that development of village industries adds to our national wealth? Somebody may ask me, how does it add to our national wealth? For example, there are 60 types of non-edible oilseeds. Now, we "are using edible oils for other purposes, for making paints, varnishes and soaps If we take up this resource through development of village industries, collect the non-edible oilseeds, crush them and take out oil, then not only do we give employment to the poor artisans at the village level, but we also add to the national wealth. For example, take rice bran. I have been saying that because we want to have the luxury of eating polished rice, we pay heavily through our nose. How can a poor country afford to waste nearly Rs. 200 crores, both in weight and quality? The nutritive value of rice goes down and we also lose in terms of weight. If we do away with the luxury of taking polished rice, this poor country will *he* able to save as much as Rs. 200 crores. So, the

Janata Government has taken the right step in the right direction, and I am sure, it will have a very good effect. After all, as I said, socio-economic programmes are not like political programmes which we have been able to achieve within a year, we have removed all distortions, and if you cooperate with us, we will do away with the remaining distortions also through the 44th Amendment of the Constitution. But so far as the socio-economic programmes are concerned, we must have patience. After all, we have also been in power at one time or other and we know the difficulties. How to generate growth? It cannot be done overnight. It requires hard work and hard labour. So, I am sure my friends here also will exercise patience and look at the whole problem in the proper perspective and not get impatient, because that would only be doing harm to our own country.

I wanted to make certain suggestions to the Finance Minister. I do not want to send the Bill back. I want to respect the wishes of the representatives of the people sitting in the Lower House. But I would only point out certain things and I want that the Finance Minister should take consequential action so that certain distortions which may perhaps occur in the economy, could be taken care of. Only with that end in view I would like to point out certain things to the Finance Minister. In the first instance, at present we have got an excess liquidity in our money-supply which adds to so many things. For example, the bank credit went up by Rs. 2500 crores last year; exchange reserves stood at Rs. 1600 crores; and the Government also had loans. It all goes up to Rs. 5800 crores. Now, this liquidity has got to be contained; otherwise, it will be very difficult for us in many ways. I am surprised; after all, we have given so much lift to our friends who are working in factories. We have, for example, restored the minimum bonus; impounding of wages has been done away

with; compulsory deposit scheme has been taken out. So, now an atmosphere should be generated where production must be stepped up. Nothing should take place in this country at the cost of production. We must take care of production aspect. Merely fighting for something will not do. I do agree, employees, wherever they are working, whether in factories or in offices, whether in banks or in railways, anywhere, they must be conscious of their rights—they must be vigilant of their rights' But they should accept certain norms for getting those grievances redressed. If we do it at the cost of production, the ultimate sufferer will be the poor people of this country who include the employees themselves. The Labour Minister is not here; I was going to request him on this thing; he is going to bring a very good Bill for industrial relations. I have no idea about the various clauses of that Bill. But I am sure all parties will cooperate in establishing healthy industrial relations. We have removed certain distortions which were irksome to the employees in factories. I hope now they will come forward and help us; the small irritants should not be made responsible for closure of factories either by the employers or by the employees. We must always keep up production in this country; otherwise, all of us will be in trouble.

The next thing that I wanted to point out to the honourable Finance Minister is the subsidy. The subsidy part in our economy is also assuming a very great importance, and one is naturally worried. I understand that a commission has been appointed to go in depth into this aspect of our economy. The House will be interested to know that the amount of subsidy in 1960-61 was Rs. 93 crores. In 1976-77 it went up to Rs. 1528 crores. And we know that some irregularities have crept into these

things. Even the banks which are

[Shri Ghanshyambhai Oza]

supposed to issue certificates of chartered accountants, they are in arrears. So, this subsidy part given to various corporations, various institutions, various export houses and what not—I do not want to go into all those details now—has got to be looked into thoroughly to see that it is not misused, because that also is leading indirectly to inflation'. After all, we must plug the loopholes wherever they are, wherever money is wasted or it is going in the wrong channels. I am sure the hon. finance Minister will look into this aspect of subsidy as early as possible.

Now about gcfd. This has been very much discussed both inside and outside the House. I have my own views on gold. After all, our tradition has put gold in such a pedestal that it is very difficult to shake it from that position. After all, traditionally our society has been preserving gold for reasons of security or otherwise. For instance, it can be taken care of easily and it can be transported easily. And in rural areas, people had not taken to banking habits and whenever people in the villages had surplus money with them, they used to purchase gold and keep them in their houses. Kinsman, the famous economist said, India is a bottomless cess pool of gold and the western countries are interested in seeing that we get rid of our gold. Two power blocs are maintaining gold. We are thinking of selling gold. We should sell gold only marginally. After all, gold is a national asset and not of any Government—the previous one or any Government—should not take it lightly. I would request the hon. Finance Minister to sell gold only marginally and if necessary, from the reserves that we have got, to purchase it in the open market so that the price of gold here comes down to the world market price. I would rather request him to purchase gold from abroad and make it available to the citizens here..,

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): You have taken 30 minutes.

SHRI GHANSHYAMBHAI OZA: I am concluding.

AN HON. MEMBER: You are too late to make this suggestion. They have started selling gold.

SHRI GHANSHYAMBHAI OZA: They are inviting tenders.

I will earnestly request the Government to properly look into the various kinds of expenses that we have incurred. I have a feeling that the money that we put into co-operatives and spend in various other ways is not properly being utilised. The money spent for non-productive purposes or even for social services leads to inflation. As a layman I have a feeling that a lot of money that we invest in various organisations is going down the drain because of corruption, wastage and improper management.

For lack of time at my disposal, I do not want to go into the details of various points as to how these can be plugged so that money is not unnecessarily spent without commensurate production. I am sure that the Janata Party which has made earnest attempts to fulfil its programmes will go ahead. I am not puzzled at what takes place or at seeing guilty fingers at dissensions and quarrels in our Party. Ours is an open society. Nothing is secret. But kindly remember what was happening in this country before 1976 and even during the emergency. So many State Governments were toppled because of internecine quarrels. What happened in Bihar? In some of these States the Congress Party had strong leadership. But then there were quarrels, there was disunity and many things were going on. There is no point in accusing anybody. After all there is, what is called, the national character. I am not happy about what happened in the past. But do not try to exaggerate-

rate. Worse things were happening before 1976. Why? Even during the emergency what happened in U.P.? What happened in Orissa and what was happening in West Bengal during emergency? So many heads were rolling. So, don't try to magnify a little difference of opinion that is there in the Janata Party. Don't bank upon such things. That is useful neither in the short run nor in the long run. I have said that we have got so many crises. I was telling a friend that we have got so many crises, economic crisis and social crisis, but the worst crisis is the crisis of character that is seen in this country now.

SHRI N. G. RANGA: That is the point.

SHRI GHANSHYAMBHAI OZA: That is true and I am not saying this with any relish. Nobody is free from that and I do not want to point my accusing finger at any one group or any one party. This is the general malady. We should set a good example to the people and we should demonstrate by our behaviour. After all, by behaving in the way in which we are behaving here, are we giving any good example to the panchayats? How are they going to be run if we create rowdyism here and if we do not behave in a responsible manner? Do you expect that the panchayats and the municipal bodies will run systematically and in a disciplined manner and will take care of the problems in a proper and responsible manner with a civic sense? What examples are we setting for this country? So, let us all create such norms of behaviour that democracy infiltrates right through the villages, right into the remotest villages. Let us establish good and healthy traditions and this is what we have to do if we want to have democracy in this country. Therefore, I said that the worst crisis that has overtaken this country is the crisis of character. We all owe it to the people, wherever we are and whatever we may be doing. You should not point an accusing finger at another man saying that the other

man is guilty. At least do whatever is possible for you to do so that you can create a good atmosphere around you. What is happening somewhere else is no justification for our behaving in a certain manner here. After all, this is a very big country and all of us swear by the poor people. The only test for our sincerity towards the poor people is our own behaviour, responsible behaviour, and I am sure we will not betray the great trust that has been put in us by the poor people of this country. Thank you very much, Sir,

SHRI K. L. N. PRASAD (Andhra Pradesh); Sir, about eighty per cent of our population is living in the rural areas and one happy thing about these Budget proposals is that greater allocations have been made for the development of agriculture and industries in the rural areas. This is a very happy thing and this is one area where the Finance Minister deserves some appreciation.

Sir, we have been talking about the welfare of the people living in the rural areas year after year. But what has been done to improve their living standards? I would say very little. But now, Sir, I am happy that the emphasis is much more on agriculture and greater allocations have been made in the Budget and if these proposals are translated into action, something really good would be coming to the rural masses. But I would like to point out one or two practical difficulties. For instance, there are the prices fixed for the various commodities, for the various crops, etc. The paddy price that has been fixed is considered to be very low and the farmers have been agitating over this and we know the agitation that was there recently in Tamil Nadu.

[The Vice-Chairman (Shri Syed Nizam-ud-Din) in the Chair]

Some agitation was about to be started in Andhra Pradesh also. But, Sir, the Chief Minister took proper steps at the right time, to buy all the paddy



[Shri K. L. N. Prasad] from the farmers at a reasonable price and thereby helped them and he thus averted a situation which could have turned out to be an ugly one.

Sir, you are aware that for many years the feeling in the Southern States has been that they do not have a proper lobby here at the Centre. In the matter of fixation of these prices of paddy and other crops, their voice is not heard, and the farmer is suffering and he does not get a proper price for his crop, whereas he is obliged to pay the ever-rising labour wages and also is obliged to pay a heavy price for the fertilisers; he is not supplied the fertilisers at a subsidised rate and the amount of hardship that a farmer in the south is facing is nobody's business. It is high time that the Centre realises the importance of this issue and takes remedial measures, otherwise we may have to face a situation which is not desirable for anyone to face.

With regard to industrial development, well, there has been some development and progress in the matter of public sector. Even there, if we go into the statistics, we will find how many public sector organisations are making profits and how many are running their businesses on profitable lines. This is a matter which requires serious consideration. If you ask me, there are very few public sector undertakings which are really doing their job and are able to produce results to justify the nation's confidence in them. But there are many public sector undertakings whose privilege appears to be to incur losses. I do not know what the Government is doing to improve the situation. I think our investment in public sector is about four to five thousand crores of rupees. How much return do we get out of it? Leave alone a few undertakings which are doing well, the rest of the 80 per cent of the undertakings are incurring losses. What are you doing to improve upon the working of these units? This is a matter where some independent

body should go into the working of undertakings and submit a report to the Government. I would urge upon the Government to appoint a committee consisting of economists, engineers and people who are knowledgeable about the industry, to go into these aspects and suggest ways and means to improve the working of these so-called sick units.

Sir, much emphasis has been laid not only now but for years together on the development of small-scale industry. But I would like to know how many small-scale units in each State have become sick in the recent past. There may be a variety of reasons for these units to have become sick. But one of the major factors, in my opinion, is the heavy rate of interest charged by banks. That is one of the major items of expenditure that an industrial unit has to incur. Sir, I know that in many States a majority of the small scale units are closing down. If you go into the reasons, the reasons are varied. But the main reason is the rate of interest charged. Unfortunately, we had chosen to adopt an expensive credit policy a few years back and that has ruined us. It has completely ruined the small scale industry and the rural industry. But now the Government appears to have realised the evil effects of this policy and they are trying to retrace their steps, to reduce the rate of interest and to supply the money at a reasonable rate. Still much has to be done in this sector. It will be difficult even for the Government to reduce the rate of interest. When the credit was made expensive, at that time the banks made huge profits with the result that their establishments, salaries and other overheads went high. Within the last five years, their expenditure has increased by hundred per cent.

SHRI N. G. RANGA: Their peons are being paid Rs. 700/- a month.

SHRI K. L. N. PRASAD: The result is that lot of disparities have been created between these people and the

people working in other sectors. I can tell you that the evil effects of this expensive credit is not going to leave us even if we want to leave *th--a* policy. It is most unfortunate that the Government could not take appropriate steps in right time with the result that the industry has suffered, the consumer has suffered and great disparities have been created. As Shri Ranga Ji has said, the salary of a peon or a clerk in a nationalist or non-nationalised bank is ranging between Rs. 400 and Rs. 500 or even Rs. 600. If a person is appointed as a peon today, he gets a salary of Rs. 400 to Rs. 500. There are clerks who are getting between Rs. 1000 and Rs. 1400 by virtue of their seniority over a number of years. An equally senior clerk working in the neighbouring small scale industry or working with a trader is getting only half or even one-fourth of that salary. That has created a lot of disparities which is not a desirable thing. It is not good for the development of our industry or trade. It is high time, I think, when we should think of having a national wage policy and fix certain limits. I am not only talking of the expenditure incurred on payments to the lower categories. Even in the higher categories, perquisites are paid. Sir, we have abolished *zamindars*. We have done away with the Rajas and Maharajas and all these people. But a new class is emerging and that class is the class of Chief Executives of the so-called organisations, whether in the public sector or the private sector. The patronage at their hands is unlimited. You may say that the salaries are pegged at Rs. 4000. But that is not the criterion. What are the amenities provided. I know that the Chairman of a public sector bank was entertained at a place with a gala dancing party. This is what we are having in this socialist pattern of society. It should certainly not be so. A lot of money is wasted on them. In the name of the so-called professionalised management, several things are taking place. Who is going to examine this? Who is going into the merits and demerits of the working

of these organisations? After everything is over, after some years, the things will come out, the facts will come out and by that time you will not be able to do anything because by that time everything is over. Therefore, Sir, my appeal to the Finance Minister is that he should find out a "way to reduce these interest rates further and help the small scale industry. Sir, I know that in Hyderabad city, there are about 500 to 600 small industries which have become sick. When we went deep into it, we came to know that it was because, over a period of five years, they had to bear a very heavy burden by way of interest. There are other reasons also like the non-supply of raw materials in time, the increase in the electricity rates and many others. But this is one main reason and while speaking on the Finance Bill, I thought it relevant to bring this to the notice of the Government. And it is high time they brought this rate of interest down and made the money available either to the trader or the small scale entrepreneur at a cheaper rate of interest. It is very essential. Sir, instructions have been given to the Reserve Bank to ask all the commercial banks to give credit to agriculturists liberally. But where is that liberality? That liberality is not found in reality. If a small farmer wants to have a small loan, the amount of trouble he has to undergo is nobody's business. There is another aspect involved in this. It is the security aspect. We might make many statements that the security aspect need not be taken into account when helping the farmers and others. But, Sir, when the question of real working comes, security also plays a vital role. And I am not saying that money should be just distributed without any security. At the same time, Sir, what we are claiming and what we are trying to tell the public is not happening in reality.

Sir, coming to the duty imposed on advertisements and other things, this

[Shri K. L. N. Prasad] is a very important aspect which is going to affect the newspapers very badly. I do not know whether the Finance Minister has been well-advised on this issue. I must say that he has not been well-advised on this issue. Today the definition of a small newspaper is given as a newspaper having a circulation figure of 15,000. Sir, a newspaper with a circulation of 15,000 will not get advertisements worth mentioning. The type of advertisements a newspaper with a circulation of 15,000 gets is different. But you may not bother about the big newspapers like that of Mr. Ram Nath Goenka or the 'Times of India', or the 'Hindustan Times' or the 'Statesman'. But what about the medium-sized newspapers who are not able to make their both ends meet, who are not able to meet the establishment charge, who are not able to meet the wages of the working and non-working journalists which are revised from time to time and which are imposed on them irrespective of the fact whether they can bear this expenditure or not? Sir, I am running a newspaper and I know the difficulties involved in it. The newspaper which I am running is having a circulation of about 60,000 and if it is a big newspaper according to the definition of a small newspaper as having a circulation of 15,000, well, I am sorry for that analogy. Our effort today is to make both ends meet. There are so many difficulties involved in the running of a newspaper. That is not easy. And, today these wage boards are constituted year after year and we are obliged to implement their recommendations. The recent wage board was constituted about a year back and it made its recommendations and, as a small newspaper—according to me, mine is a small newspaper—I was obliged to pay an additional wage of about Rs. 2 lakhs per year. So, it is very difficult. Therefore, I would like the hon. Finance Minister to have a rethinking on this issue. You cannot just say that any newspaper with a

circulation of 15,000 and more is a big newspaper and hence they can afford. If you disallow expenditure on advertisements, these newspapers will suffer. It is all right for big papers. Big newspapers are already getting advertisements. In fact, they have surplus advertisements. They are not able to publish all the advertisements. Their problems are different. If you want to establish another class of newspapers, you can have a class of medium newspapers and give them some concessions also. On the one hand, you want freedom of the Press, freedom of speech and freedom of everything. But if these things occur and if these limitations are placed on advertisements and things like that, small newspapers will suffer tremendously. After all, without advertisements no newspaper can survive. It is impossible for any newspaper to survive without advertisements. Sir, it is a matter which deserves your consideration. You may please go into this matter and see what best could be done.

Sir, as our friend has rightly said about this capital gains business, I do not know why this clause is withdrawn. This is not going to make much of a difference, I can tell you. After all, if there is a deposit in my name, I can easily borrow from the bank.

THE VICE-CHAIRMAN (SHRI SYED NIZAM-UD-DIN): I would like to know how much more time would you take. You have already taken quite some time.

SHRI K. L. N. PRASAD: I do not think that I have taken more time than what the two earlier speakers took.

THE VICE-CHAIRMAN (SHRI SYED NIZAM-UD-DIN): Your Party has a long list of speakers.

SHRI K. L. N. PRASAD: About this capital gains business, if you really want to give the incentive, give it

without any hesitation. Why place all these indirect restrictions? This is not going to be useful. If a deposit is placed in a bank, you can easily borrow without endorsing the fixed deposit receipt. You can give a letter to the bank and take it back after three years. This is not a big thing. I do not know why these things should be done in this fashion.

Sir, coming to our planning, I want to say that it is wonderful. Our planning is so good that we have the scarcity of several items today. Cement production in the country is not adequate enough to meet the requirements. Although production has increased, our demand has also increased. And, according to the M.R.T.P. Act, the big companies will not be given licences and no private individual can think of starting a cement industry. A viable unit of 2 thousand tonnes cement plant would cost about Rs. 20 crores and in order to get all the financial help from other financial institution, the people will have to invest about Rs. 2 to Rs. 3 crores. Wherefrom will they get this money? It is impossible. If you are going to have everything in the public sector, it is all right. But if you want some of these Units to come up in the private sector also, you will have to find a way of helping the new entrepreneurs to raise their resources. It is very important. We have resources. We have plenty of liquidity position in the banks today. If Rs. 500 crores worth of bonds are issued by the Government of India, they are underwritten in just five to six minutes time. But if I want Rs. 5,000 loan from a bank, I know what a difficult task it is to get that loan. Therefore, we should think of finding a way. You do not want to encourage the monopoly sectors. We agree. We have no problem in that. And you want a private entrepreneur to set up his industry. I know a licence was given in Andhra Pradesh about 4 years or 5 years ago for setting up

a cement plant. So far, they have collected Rs. 5 lakhs or Rs. 10 lakhs from the public and that money must have gone for promotional expenditure or pre-operational expenditure, or whatever you call it. But the cement plant is not there. The so-called share capital that was collected from the poor people also has gone. What is going to happen? When we say that a particular thing should be done like this, there must be a complete programme as to how an entrepreneur should do it. Today if a small farmer wants to repair his house or his cattle shed and if he wants 5 or 10 bags of cement, he will have to buy the cement from the black market at Rs. 30 a bag whereas the control price is Rs. 20. Is this situation to continue forever? Sir, these are some of the points which need consideration. Our's is basically an agricultural country, requiring lot of fertilisers and if you look at things in the recent past, you cannot say that there has been much progress in the matter of production of fertilisers. We wanted to set up several fertiliser factories but we are unable to set up these factories for some reason or the other.

For want of time, I would like to conclude by saying one more thing, and that is what Shri Ozaji said about subsidy. Subsidy figures are really staggering. A sum of Rs. 1500 crores is being given in various forms by way of subsidy. It is really a matter which requires some attention. There are many areas where subsidy is warranted. But if already without knowing where the subsidy is going, you are giving subsidy of Rs. 1500 crores, wherefrom can we get the money? Therefore, you will have to find ways and means whereby we can do away with these subsidies and make each item of production self-reliant.

With these words, I support the Bill.

SHRIMATI NOORJEHAN RAZACK (Tamil Nadu): Mr. Vice-Chairman, the discussion on a Finance Bill has to deal not only with the equity of the new imposts on the community, perforce, it has to range over the past achievements and future projections and also to review whether every rupee collected as revenue has been fruitfully and wisely spent so that the people have confidence that resources which are scarce, will be used dynamically, imaginatively and efficiently so as to increase the tempo of progress on all fronts. The development of a country depends not so much on efficient book-keeping and conformity to rules and regulations as to enthusing, galvanising and sustaining the efforts of vast masses of the community to lift themselves by the bootstraps. Government based purely on bureaucratic precepts and practices, periodically buttressed by a cascade of pious platitudes from the top can hardly make dent on the multifarious problems, social and economic, which call for extraordinary efforts for mobilising human, material and moral resources. So that the country can make a sustained leap to progress. I am sure the hon. Members are convinced in their heart of hearts that the present style of functioning of the Government is hardly the style that can ensure dynamic progress. I would be less than human if I do not voice my anxiety about the squabbles in the top echelons of the ruling party, which, despite the disavowals of the top leaders, fill us with misgivings about its effect on the country's development. You will appreciate, Sir, that we, who vote thousands of crores of rupees for the needs of the Exchequer, have good reasons to feel genuinely concerned at the near stalemate in the country's progress. In fact, the needs of modern democracy require the functioning of a ruling party which has secured the mandate of the people as a cohesive, homogenous and purpose-oriented group, with their rights firmly fixed. Not only that. The electoral victory should

I not give them a feeling of omnipotence which will spell quick decay. The ruling party should take other parties with them in meaningful efforts for the country's development by frequent dialogues in respect of specific objectives. But when the ruling party itself appears to show a disarray, whither goes the country?

It has been widely realised by all progressive thinkers that the most vital aspect of a modern and enlightened administration is to mobilise the human resources of the country in the most pragmatic and scientific manner for fulfilment of clearly specified goals. This calls for dedicated planning at the top and imaginative implementation of strategies so that the vast untapped resources of the community are utilised for its own betterment. I am pained to say that the new Five-Year Plan also runs in the same old rut of arithmetical computation, without indicating any vistas for the people to contribute by organised efforts.

In this connection, I would refer to the project for linking the Ganges with the Cauvery. Government have with them adequate technical studies regarding the feasibility of this project. Here is a project which can revolutionise the economy of the country and secure un-interrupted irrigation and power, besides preventing floods which cause havoc year after year. Is this not a project that can catch the imagination of the people and give them a goal to be worked for with all the energies at their disposal? Is this not a project which can gainfully employ and utilise the immense human resources which cry for utilisation? Is this not a project which even during the process of implementation can give life to thousands of unemployed and bring about such subsidiary and ancillary economic activity that will produce healthy chain reactions? We cannot keep this project in cold storage

for ever on the plea of limited resources. We have this immense wealth of human resources. Once a practicable and concrete plan is formulated and put before the country, millions will contribute to its fulfilment in terms of service and resources. International aid without strings can also be forthcoming for a project of this magnitude, a project of the people, striving to assure to themselves a better world. I would, therefore, request the Government to give top priority to this project which can effect a miraculous transformation of the economy of the country.

So far, the sublime, let me come to the harsh realities of the administration as it is. The collections of direct tax for the year 1977-78 show a decline against the estimates which reveal a disturbing trend and a commentary on the efficiency of the tax collecting machinery. No doubt, the Finance Minister will assure of optimal efficiency. But it is a bitter truth that tax evaders are having a field day and thriving on a gullible public by their myriads of subterfuges. So too are the smugglers who, if the recent reports are to be believed, are able to expand and consolidate their Mafia empire. I would ask the Finance Minister to tell the House in clear and unequivocal terms the precise order of magnitude of tax evasion and smuggling in the country and the reasons for failure of administration to tackle the evils, which have led to further crushing imposts on the law-abiding sections.

I quite realise that for a developmental effort of the desired magnitude, resources have to be correspondingly mobilised. But such mobilisation on a massive scale has to be done only after ensuring that Maximum economy is effected in developmental and non-developmental expenditure and that every rupee is spent prudently. I do not advocate retrenchment of

staff in the Government and public undertakings. Much as they have been hit by price rise as all other sections of the community, I should say that they are more fortunate than the millions of their unfortunate brethren. The least that they can do is honest, purposeful and hard work in return for the considerable public investment made on them. Government should ensure this by rationalising and streamlining methods of work. Wasteful expenditure should be avoided in any form. Still many foreign jaunts are taking place on one pretext or other. Expenditure on lunches and dinners continues unabated. Every time luxury spending is resorted to, let those who do it remember that millions of our countrymen go about hungry, and without shelter. Austerity should be practised from the very top, not only at the time of assuming office. It may sound amusing. But corruption in any form should go lock, stock and barrel.

With all these tasks unfinished, it is an irony that the community has been asked to pay more. One particular impost my conscience rebels against: Why is there the duty on electricity generation? Of course, we have to thank the Finance Minister for his magnificent gesture in reducing the levy of 2 paise per KWH by 10 per cent. Even so, does he honestly feel that the impost is justified in the present circumstances? It is true that electricity is in the Concurrent List. Does this fact alone give the Central Government to impose duty on this item? Then the State Government can also do it. What becomes of the common man? I am afraid that morally the Central Government has no right to impinge on this item. Legalistic considerations should not come in the way of State's jurisdiction.

Our illustrious leader, the Chief Minister of Tamil Nadu, has forcefully represented against this iniquitous taxation which puts the State Government in a dilemma. They cannot raise the tariffs proportionately without

[Shrimati Noorjehan Razack]

further detriment to the common man. They cannot raise further resources from this item for their own develop, mental needs. Industry which is already groaning, will have a further setback. The State Electricity Boards, which are already struggling with losses, will go into the red if they have to manage without taxing the industry. Even at this stage when Lok Sabha has approved of the duty, I would earnestly urge the Finance Minister to reconsider and withdraw the impost altogether in the interests of harmonious Centre-State relations and in the interests of industrial development.

With these words, I conclude my speech.

Thank you.

SHRI U. K. LAKSHMANA GOWDA (Karnataka): Mr. Vice-Chairman, Sir, I am not going to take much time. I shall just say a few words to seek clarifications from the hon. Minister of State for finance who is here.

I have already had an opportunity to speak on the General Budget when I did make my points. I appreciate this Budget so far as its accent on agriculture and more Plan allocation for agriculture are concerned. Also I was gratified to see that the present policy of the Government continues to be to have a mixed economy where the public sector also is to play a major role.

So far as the tax proposals are concerned, I have said earlier that I am quite apprehensive about the deficit financing and also I have been critical of these taxes on electricity and other common consumers items. When the Central Government is asking the State Governments to mobilise their efforts for raising resources, whatever little revenue out of these few items for example. Electricity was available to them, that also has been deprived to them, I would like to

tell the Finance Minister that there have been suggestions year after year—Mr. Salve also knows about them—both here and in the Consultative Committees that some simplification of procedures for tax assessment should be made. This has been going on for years. I understand that the Palkhivala Committee was constituted for this purpose. We do not know what has happened. Mr. Choksi is heading that Committee now. We would like to see that some simplification of procedures is brought about early, particularly for the individual assesseees. The corporate sector can manage with their own expert advice. But there is a lot of difficulty for the individual assesseees in regard to advance tax, self-assessment, penalty clauses and innumerable other things. I would request the hon. Minister to enlighten the House with regard to the procedures and also what has happened in regard to their simplification.

I want to raise one or two other matters. Every body was happy that the minimum limit for Income Tax was raised to Rs. 10,000, from Rs. 8,000. It should have been Rs. 10,000. Anyway, with qualification it has been made Rs. 10,000, although Rs. 8,000 limit is operative for most of the people. In view of the high inflation, should not some thing be considered with regard to the basic exemption for wealth tax? That has also not been done. People think that those who pay wealth tax are wealthy. The buildings which were at one time estimated at Rs. 50,000 might now be revalued at Rs. 2 lakhs or 3 lakhs. But what is the basic exemption?

One other difficulty which I want to raise here is, when the agricultural property was grouped under wealth tax, the basic exemption limit of Rs. 1,50,000 especially for agricultural property was kept. After the 1973, 1974 and other amendments, it got merged with the general basic exemption which is available. So a person who has no agricultural property

gets Rs. 1,50,000 on his bank deposits, and other things in addition to urban house exemption whereas for a person who has a little agricultural pro. perty, the whole thing is set off against R\*. 1,50,000. He does not get any benefit for agricultural property as visualised earlier. The idea was to provide some additional relief to the agriculturist, but it has got merged with the general exemption and the Income Tax practitioners know about it and the tax assessing authorities are also helpless because of these amendments.

One other point I want to mention here. I am sorry there are not many lady Members present. When we are talking about equality of status for men and women, protecting them and giving them the same relief which men are getting in jobs and remuneration, there is a perfect discrimination so far as the daughters not being considered as coparceners in the case of HUF. With regard to the Gift Tax, I am saying this that if a person has sons) he can divide the property and give it to his sons. But if he has only daughters, he will have to make a settlement and pay Gift Tax. And your Gift Tax starts with accumulation from 1973-74. There must be some sliding clause by which at least one previous year should be left. Now what happens is that any gift which is made after 1974—I think it is after June, 1974—will be taken for accumulation for future Gift Tax purposes. So in the case of people who have only daughters, who want to make a gift, since the daughters are not coparceners, since they cannot do it on partition basis, this is a very heavy burden and this should be given some consideration. I would even go to the extent of saying that the Government should consider an amendment to the Act to see that the daughters also enjoy equal rights with the sons and they must also enjoy coparcenary rights with the boys. There is another point. With regard to Hindu undivided family . . .

SHRI LAKSHMANA MAHAPA-TRAO (Orissa): He is pleading for

making the laws liberal so that only sons are born.

SHRI U. K. LAKSHMANA GOWDA: I did not hear him. Through you, Sir, may I request Mr. Mahapatra to repeat?

SHRI LAKSHMANA MAHAPA-TRAO: You are pleading for making the laws liberal so that only sons will be born in future.

SHRI U. K. LAKSHMANA GOWDA: I do not think Mr. Bhupesh Gupta will agree with it. The Communist Party principle is that men and women should enjoy the same rights. Now, my friend, Mr. Mahapatra, does not know that even in the definition of family in the various land reform Acts which have been enacted there is discrimination against women. There is such a big difference. There are retired Judges here and they can vouch for it. A family consists of husband, wife and minor children. And if they have got grown up major sons, they get one equal ceiling area. Whereas if they have got daughters, they never get anything. Is it right. And the enactment was made in the International Women's Year and Shrimati Indira Gandhi was the Prime Minister of India. No lady Member took it up. When I appeared before my own State Select Committee on Land Reforms, this point was not accepted. So I would at least now request the Finance Ministry to take it up.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATISH AGARWAL): No lady Member except one.

SHRI U. K. LAKSHMANA GOWDA: I had to plead on behalf of lady Members.

Another point is with regard to the different rates of wealth tax for Hindu undivided families and the individuals, in the case of Hindu undivided family where there is one member whose wealth is more than one lakh of rupees, immediately the wealth tax rate gets doubled. Why this discrimination for H.U.F.? Why don't you



[Shri U. K. Lakshmana Gowda]

treat them equally? What is the additional benefit you are giving the H.U.F. if this particular tax is doubled? The man gets assessed for Rs. *one* lakh wealth. And if he has got family there is another Rs. one lakh wealth and the rate actually gets doubled when it is applicable to them. So this matter should be taken into consideration. Why should you make differentiation between a H.U.F. and individuals? Have the same tax rate. You may increase the rate or decrease the rate. But let it be the same for everybody. Why made distinction only in the case of H.U.F.? This is another point which I would like the Finance Minister to take into consideration.

SHRI BHUPESH GUPTA (West Bengal): I suggest in the case of rich people like the hon'ble Member, wife should be assessed as wealth.

SHRI U. K. LAKSHMANA GOWDA: I am not saying that the wife should not be assessed. Wife, children and everybody should be assessed. Let them be assessed at the same rate. But because there is a wife who has wealth, why should the husband's rate of taxation be doubled?

SHRI BHUPESH GUPTA: I am not saying this. I am saying suppose you have one lakh of rupees. Your wife also has Rs. one lakh. It means Rs.

2 lakhs. The rate should be some, thing more. The value of your wife also should be added. That way.

SHRI U. K. LAKSHMANA GOWDA: I am not prepared to accept that proposition.

SHRI N. K. P. SALVE; He said so because he has no wife.

SHRI U. K. LAKSHMANA GOWDA: Mr. Bhupesh Gupta's argument on that is not very relevant. He does not know the difficulties or advantages of having a wife.

SHRI K. B. ASTHANA (Uttar Pradesh): We can always introduce a deeming clause that Mr. Bhupesh Gupta will be deemed to have a wife for taxation purposes.

SHRI U. K. LAKSHMANA GOWDA: I have nothing more to say on this. I would like the hon'ble Minister to clarify some of these points and then see that at least these duplicating procedures are brought down as early as possible. Thank you.

THE VICE-CHAIRMAN (SHRI SYED NIZAM-UD-DIN): The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at twenty-five minutes past six of the clock till eleven of the clock on Friday, the 5th May, 1978.