

RAJYA SABHA

Tuesday, the 30th April, 1974/the 10th
Vaisakha, 1896 (Saka)

The House met at eleven of the clock,

MR. CHAIRMAN in the Chair.

INCOME-TAX ARREARS

MR. CHAIRMAN : I have to refer with profound sorrow to the passing away of Shri Bipin Behary Varma, an Ex-Member of the Rajya Sabha.

Shri Bipin Behary Varma born in the year 1892, was educated at Muzaffarpur and London. As early as in 1914 he joined as a volunteer under Mahatma Gandhi in the First World War and served the Indian soldiers in England. In the year 1920 he joined the non-cooperation movement and since then he had been actively associated with the Freedom Movement in close association with Mahatma Gandhi and underwent imprisonment for his political activities. He was a Member of the Central Legislative Assembly from 1934 to 1939, and 1946 to 1947, a Member of Provisional Parliament from 1950 to 1952, a Member of Lok Sabha from 1952 to 1961 and Member of this House from 1962 to 1968. A soft and mild spoken, Shri Varma received admiration from all sections of the House. We deeply mourn the passing away of Shri Bipin Behary Varma.

I would request Members to rise in their places and observe a minute's silence as a mark of respect to the memory of the deceased.

(Hon. Members then stood in silence for one minute)

MR. CHAIRMAN : Secretary-General will convey our deep sense of sorrow and grief to members of the bereaved family.

16 RSS/74—1

ORAL ANSWERS TO QUESTIONS Income-tax arrears

*181. SHRI S. KUMARAN :
SHRI M. S. ABDUL KHADER : †
SHRI KALYAN ROY :

Will the Minister of FINANCE be pleased to state:

(a) what are the gross and net arrears of income-tax as 31st March, 1974; and

(b) what steps have been taken to recover these arrears ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI K. R. GANESH) : (a) The figures of gross and net arrears of income-tax are readily available only as on 31st December, 1973 and the same are as follows :—

Gross arrears	714.10	crores
Net arrears	527.43	crores

The break-up of these arrears is given in Statement—I laid on the Table of the House.

(b) The steps taken to realise these arrears are given in the Statement—II laid on the Table of the House.

Statement—I

Break-up of Gross and Net Arrears of
Income-tax as on 31-12-1973

(Figures in crores of Rs.)

As on 31-12-1973

I. Gross Arrears 714.10

II. Particulars of Arrears:

1. Amounts not fallen due before the end of the quarter	42.57
2. Amounts claimed to have been paid as advance tax or as deduction at source which is awaiting adjustments/verification	6 28

†The question was actually asked on the floor of the House by Shri M. S. Abdul Khader.

3. Amounts for which stay has been granted:	
(a) by courts . . .	25.70
(b) by I.T. authorities	
(i) Pending disposal of appeals . . .	67.49
(ii) Pending disposal of settlement petitions . . .	5.24
(iii) For other reasons . . .	8.26
4. Amounts not covered by item 3 above for which instalments have been granted:	
(i) Pending disposal of appeals . . .	11.37
(ii) Pending disposal of settlement petitions . . .	2.28
(iii) For other reasons . . .	17.48
Net Arrears (I minus Item 1, 2, 3, and 4 of Item II) . . .	527.43
5. Amount pending settlement of D.I.T. or other relief claims. . .	8.63
6. Amounts pending consideration of write-off/scaling down petition . . .	29.29
7. Amount due from companies under liquidation. . .	13.26
8. Amounts due from persons who have left India and/or not traceable and/or who have no known assets and/or whose assets vest with the Custodian of Evacuee property Pakistan and/or who are involved in insolvency proceedings (excluding amounts covered by Item 6 above) . . .	24.85
9. Arrears of E.P.T. . .	8.63
10. Arrears of B.P.T. . .	0.80
11. Amounts disputed in appeals/references but not stayed or covered by instalments . . .	101.12
12. All other amounts in arrears . . .	340.85
TOTAL . . .	714.10

Statement-II

During the recent years, the Government has taken the following specific measures to speed up collections of outstanding income-tax arrears :—

(i) prior to 1961, recovery of tax arrears was done by State authorities who could not evince sufficient interest in the collection of revenue. The 1961 Act, therefore, incorporated a self-contained Recovery Code and made provision for Tax Recovery Officers who could be Departmental Officers. Tax Recovery work has been taken over in all the charges by the Commissioners of Income-tax except for three districts of West Bengal and the Andaman and Nicobar Islands.

(ii) Introduction of the scheme of functional distribution of work *i.e.* the collection of taxes has been made the specific function of one or more Income-tax Officers in the Range. 233 Income-tax Officers all over India are now attending to this work.

(iii) Acceptance of crossed cheques by the Department and opening of special receipt counters for this purpose in the Income-tax Offices.

(iv) Publication of names of assesseees who are defaulters in the payment of taxes over certain prescribed limits.

(v) Arrears Clearance Fortnights are being observed all over the country. During this period, special emphasis is laid on carrying out pending adjustments/rectifications, giving effect to appellate orders and collecting the net demand due from the assesseees.

(vi) 173 officers of the Income-tax Department have been appointed as Tax-Recovery Officers all over India. 50 more posts of Tax Recovery Officers have been sanctioned recently. 5 officers of the status of Commissioners of Income-tax and a number of Additional Commissioners of Income-tax are working as Tax Recovery Commissioners.

(vii) The time limit for completing the assessments has been raised to two years after the end of the assessment year.

A Special Cell has been formed in the office of the Central Board of Direct Taxes, to scrutinise and review individual cases where arrears of more than Rs. 10 lakhs are outstanding to give proper guidance to field officers to take effective follow up action.

With a view to tackling the problem of tax arrears and evolve of firm policy, the Minister of State in the Ministry of Finance had discussions with Chairman and Members of the Central Board of Direct Taxes, Commissioners of Income-tax in the charges of Delhi, West Bengal, Madras, Kanpur and Lucknow and the representatives of the Officers' Federation and Association. As a result of these discussions, the following steps are being taken on priority basis.

(1) Strengthening the cadre of Income-tax Officers and Tax Recovery Officers.

(2) Augmenting the number of Assistant Commissioners of Income-tax for speedy disposal and clearance of arrears of appeals.

(3) New procedure has been evolved for the speedy write off of irrecoverable demands.

(4) Expediting adjustment of taxes already paid, disposal of applications for rectifications and orders to give effect to appellate orders.

(5) Requesting the appellate authorities to take up all appeals and references where large demands are involved on a priority basis.

(6) Enlisting of the co-operation of officers through their respective Associations and Federation.

Member (Budget), Central Board of Direct Taxes has been holding discussions with the Commissioners of Income-tax to guide them in tackling this problem with particular reference to cases involving large demands

The Wanchoo Committee have made a number of recommendations, some of which have been incorporated in the Taxation Laws (Amendment) Bill, 1973 now before the Select Committee.

Recently, a scheme has been evolved with the approval of the Finance Minister under which outstanding performance in the collection and reduction of tax arrears will be rewarded monetarily. Rewards will be given to the best tax collection unit [comprising of Income-tax Officer (Collection) and the Class III and Class IV staff working under him] and Tax Recovery Unit (comprising of the Tax Recovery Officer and the Class III and Class IV staff working under him) which shows best result in each Commissioners' charge in the matter of collection and reduction of arrears. A reward will also be given to one tax collection unit and one tax recovery unit for best performance on all-India basis. The amount of reward will be calculated on the basis of the salary of the officers and staff working in the unit subject to a minimum and maximum.

SHRI M. S. ABDUL KHADER : Sir, whenever a question is raised, Government are submitting the details of various steps that they are taking. May I know from the hon. Minister the results and achievements consequent upon the steps taken ?

SHRI K. R. GANESH : Sir, the problem of arrears is a complex and difficult problem. The figures of arrears which I have indicated show large amounts. The steps which we have taken and which are indicated in Statement 'B' have had some impact. For instance, the net arrears from 1970-71 have been continuously falling.

Sir, I would like to clarify one thing here. These arrears are a continuing process. It is not that they relate to one particular year. Now I am giving figures as of 31st December, 1973. It is not that at that particular point of time so many arrears were there. These are accumulating right from 1947.

The only judgement that the hon. Members can make is from the fact whether

there has been a reduction in the arrears. In this regard I would like to give the following figures. For instance, in 1967-68 the arrears in the beginning of the year were Rs. 515.25 crores. They were reduced in the year itself by Rs. 221.43 crores, having a reduction of 43 per cent. If we take the later period 1970-71, the arrears were reduced during the year from Rs. 840.17 crores by Rs. 328.43 crores, indicating a reduction of 40 per cent. Again, Sir, take the figure of 1972-73. The arrears at the beginning of the year were Rs. 805.37 crores. They were reduced during the year itself by Rs. 324.18 crores indicating a reduction of 42 per cent. These figures will indicate that the various steps which I have enumerated are having their own impact and year by year the arrears have reduced. I would further add that supposing in the year 1972-73 the arrears were reduced by Rs. 324.18 crores, in that year itself fresh demands have been made. Out of these demands we are able to collect about 70 or 75 per cent. So, fresh arrears also accumulate for that year. So, apart from the old arrears, fresh arrears out of the fresh demands also go on accumulating.

SHRI M. S. ABDUL KHADER : With regard to the writing off of the arrears, may I know from the hon. Minister whether the Government have set up any fool-proof machinery so that there is no bungling in this respect ?

SHRI K. R. GANESH : Sir, arrears can be written off for the following categories:

Assesseees who have died leaving no assets;

Assessee companies which have gone into liquidation;

Assesseees who have become insolvent;

Assesseees who are untraceable;

Assesseees who have left India;

Assesseees who have no attachable assets.

These are some of the categories for which the arrears can be written off. The facts and the category-wise indication that I have given will indicate that there is a certain percentage of arrears which has to be written off. The process in the Government Department is so cumbersome that it takes time to write off the arrears. The fact remains that it needs simplification of the process; otherwise the whole 'arrears demand' gets distorted.

SHRI N. G. GORAY : I would like to know whether there is a scheme to give awards to those people who give information about the tax evaders. If that scheme of giving awards still exists, I would like to know whether those who gave very valuable informations about tax evaders to the Government have been awarded.

SHRI K. R. GANESH : Sir, there is a scheme for giving awards to what are known as 'informers' and the system of informers constitute an important factor in knowing the concealed information which the Department would not have been able to get by its own efforts. What happens is that an informer gives an information and the decision is that he is partly paid firstly on the basis of *prima facie* assumption that the information has been given. After receipt of that information, it is used by the Income-tax Officers to make an assessment and prepare a demand. Unless that portion of the demand which has resulted as a result of the information given is realised by the Income-tax Department, the other portion of the award is not made. Many times the hon. Member has discussed certain cases with me. Many times what happens is that the information that is received is partly correct. Sometimes, a part of that information was not correct, a part of that information was already available with the Department and finally when the assessment is made it takes time to realise that portion of money. It takes its own time. Sometimes they have to go to court, sometimes it gets into liquidation. Therefore, till the amount as a result of the tax added on account of the information is realised the other part of the award is not given.

श्री राजनारायण : श्रीमन्, मैं यह जानना चाहता हूँ कि वित्त मंत्री जी से that Mr. K. K. Birla, eldest son of Mr. Ghanshyam Das Birla has paid Rs. 50 lakhs to Maruti Limited, the small-car company, headed by Mr. Sanjay Gandhi, Prime Minister's younger son . . .

MR. CHAIRMAN : No, I do not allow this. No please.

श्री राजनारायण : 50 लाख का जो गिफ्ट किया है के०के० बिड़ला ने . . .

श्री सभापति : आप रेलेवेन्ट क्वेश्चन करिए।

श्री राजनारायण : पंडित जी, मुवा जाय।

श्री सभापति : आप इंडीवीजुअल कैमेज पूछि सारे कंटी भर के ?

श्री राजनारायण : उन व्यक्तियों का नाम लिया जा सकता है जिन्होंने रकम दी है।

MR. CHAIRMAN : No please, I do not allow individual cases.

श्री राजनारायण : श्रीमन्, हमारा यह सवाल है कि जब कोई किसी को गिफ्ट देता है . . .

श्री सभापति : गिफ्ट देता है तो देने दो। यह सवाल एराइज नहीं होता।

श्री राजनारायण : मैं जानना चाहता हूँ कि जो के०के० बिड़ला ने रकम दी है वह टैक्समिल है या नहीं।

श्री सभापति : इस सवाल में वह नहीं आता।

श्री राजनारायण : मेरा प्वाइन्ट आफ आर्डर है। मैं यह जानना चाहता हूँ कि इस सवाल से इसका संबंध क्यों नहीं है ? यह इनकम टैक्स के बारे में है, आयकर के बारे में है, सम्पत्ति कर के बारे में है . . .

MR. CHAIRMAN : No. I am not allowing individual cases.

श्री राजनारायण : जो एरियर्स सरकार ने बनाए हैं क्या यह रकम जो टैक्समिल है इसका एरियर भी उसमें शामिल है।

MR. CHAIRMAN : I have ruled that it does not arise. Individual cases I am not going to allow. Sorry. Yes, Mr. Swamy.

श्री राजनारायण : कपनी का प्रश्न है, इंडीवीजुअल केम नहीं है। (Interruption) पूरा अखबार है, पढ़ लो।

श्री श्री मेहता : बाद में पढ़ लेंगे।

MR. CHAIRMAN : I have given my ruling. I have overruled this point of order.

SHRI RAJ NARAIN : Chair's ruling can be questioned in Parliamentary practice. I question your ruling.

MR. CHAIRMAN : Please sit down.

श्री राजनारायण : हमको दबाइए नहीं। मेरा प्वाइन्ट आफ आर्डर है। मैं विनम्रता से निवेदन कर रहा हूँ कि मुझे दबाइए नहीं।

श्री सभापति : मैंने ओवर-रूल कर दिया है।

श्री राजनारायण : क्या ओवर-रूल कर दिया है ?

MR. CHAIRMAN : Now I have overruled it. Please sit down. I ask you to sit down now. Mr. Swamy.

SHRI SUBRAMANIAN SWAMY : Sir, in view of the fact that 70 per cent . . .

श्री राजनारायण : श्रीमन्, चूंकि आप मजदूर गांधी से संबंधित इनकम टैक्स के मामले को हमको पूछने नहीं दे रहे हैं क्योंकि के०के० बिड़ला ने 50 लाख रुपया दिया है, इसलिए पूछने नहीं दे रहे हैं क्योंकि वे प्राइम मिनिस्टर के लड़के हैं, इसलिए मैं क्वेश्चन-अवर का बायकाट करता हूँ। मैं चाहता हूँ कि आप कृपा करके ऐसी रूलिंग दें जिसमें संसदीय परम्परा कायम रहे और किसी व्यक्ति को शील्ड न किया जाय। मैं इस समय आपकी व्यवस्था को मानने से इनकार करता हूँ। इस समय दो ही तरीके हैं-या तो मैं नतमस्तक हो जाऊँ, बैठ जाऊँ या अगर मैं आपकी रूलिंग के प्रति अपना विरोध प्रकट करता हूँ तो मैं सदन का त्याग करूँ। मैं सदन का त्याग करता हूँ।

(At this stage, the hon'ble left the house.)

SHRI OM MEHTA : Sir, I suggest what Mr. Rajnarain has said should be expunged.

SHRI VITHAL GADGIL : What Mr. Rajnarain said after your ruling, should be expunged.

MR. CHAIRMAN : I will consider it.

SHRI SUBRAMANIAN SWAMY : In view of the fact that 70 per cent of the assesseees are between the income-tax exemption limit and Rs. 10,000 and in view of the fact that only Rs. 16 crores are collected from such assesseees, will the Government consider, taking into account the price rise, raising the exemption limit to Rs. 10,000 per year so that 70 per cent of the cases which are petty cases are made unnecessary and relief is given to the common man and also the Income-tax authorities will be able to concentrate their surplus staff on the amount of Rs. 714 crores which has not been collected ?

SHRI K. R. GANESH : Sir, there is no proposal to raise the income-tax limit from Rs. 6,000 to Rs. 10,000. Only recently the Finance Minister in the Budget has increased the limit from Rs. 5,000 to Rs. 6,000.

SHRI NIREN GHOSH : In view of the fact that Prof. Kaldor had estimated more than a decade back that annually dodging of taxes or evasion is to the tune of at least Rs. 200 crores—and this creates black money—has this amount of tax evasion gone up recently, what is the amount that you have written off during the last three years and what are the steps that you propose to take so that they cannot evade taxes? It is a proven practice that they declare themselves insolvent or bankrupt in order to evade taxes. This is going on throughout the year; whenever the demand is made the property must be sequestered and unless he can prove that he is liable to exemption his property should not be returned to the man up to the amount of taxes due from him. Otherwise you are creating black money of I suppose

Rs. 7 to Rs. 10 crores each year through such tax evasion.

SHRI K. R. GANESH : Although this question relates to recovery of tax arrears the hon. Member has quoted Kaldor to show how evasion takes place. It is known that evasion takes place. The Wanchoo Committee has gone into that and they have given their own figures. There is a Bill pending before the Select Committee of Parliament on the . . .

SHRI NIREN GHOSH : The Wanchoo Committee recommended demonetisation; you are not doing it.

SHRI K. R. GANESH : That is a separate question. The other recommendations of the Wanchoo Committee have been incorporated in the Bill which is before Parliament. If it becomes an Act both in terms of evasion as well as in terms of recovery of arrears the Income-tax authorities will be vested with the necessary legal and other powers.

The hon. Member has pointed out about property. It is a fact that at the moment there is no automatic lien in the property. There is a proposal in the Wanchoo Committee Report itself that there should be an automatic lien in the property so that whenever any proceeding is there before the Income-tax authorities it will not be possible for the assessee to divest the property in any form. That is precisely to plug the loophole which the hon. Member has in mind.

SHRI NIREN GHOSH : He has not given answer to my question. What is the amount of arrears that have been written off during the last three years ?

SHRI K. R. GANESH : As far as writing off is concerned I had given the figures earlier also. I will give it now also. In 1971-72 the amount written off both of companies as well as non-companies was Rs. 4 crores and 75 lakhs; in 1972-73 it was Rs. 2 crores and 66 lakhs and in 1973-74 up till now amount written off with the approval of the Board is about Rs. 3 crores.

SHRI HARSH DEO MALAVIYA : In the statement which has been laid on the Table of the House it is stated that a special cell has been formed in the office of the Central Board of Direct Taxes to scrutinise and review individual cases of arrears of more than Rs. 10 lakhs. I would like to know from the hon. Minister how many cases are there where arrears are up to 10 lakhs—not above that—and how many of them have been reviewed in 1971-72, 1972-73 and 1973-74 and what reductions have been granted because many...

MR. CHAIRMAN : That is enough. Your question is clear.

SHRI K. R. GANESH : I have got those figures somewhere here. It is all in a jumble. I would like to inform the hon. Member that when we say that a cell has been formed to review the cases of assesses whose arrears are Rs. 10 lakhs and above in the Board it does not indicate that they are to be reviewed and the tax reduced. That is not the intention. These are arrears; nobody can reduce these arrears. These are arrears which have been assessed properly. Tax reductions are given not in this particular thing; it is given by the appropriate authorities whoever they may be. The formation of this cell is based on the recommendations made by the PAC.

The PAC had asked the Board that they should have a proper check on large arrears and then there should be an indexing of large arrears. As a result, in the Board an officer has been delegated who checks these large arrears of Rs. 10 lakhs and above. Formally the Board was checking arrears of Rs. 25 lakhs and above. After the PAC's recommendation they are checking Rs. 10 lakhs and above. Each quarter the Commissioners of Income-tax send their reports and each of them is keeping a strict supervision on each case. They see what step has been taken by the appropriate authority, whether all steps that are required to be taken by law have been taken and, if not, why they have not been taken. If cases are locked up in courts, they should see what steps have got to be

taken. Therefore, at the higher level a strict check is made with the object of liquidating the arrears as early as possible.

SHRI HARSH DEO MALAVIYA : My question has not been answered. Whatever may be the higher category of arrears, I am not so much concerned with them. My main concern is how many cases are there of arrears up to Rs. 10 lakhs. How many of them have been reviewed and how much reduction has been made ?

SHRI K. R. GANESH : I was trying to fish out the information. As on 31-3-73 there were 660 cases of gross arrears of more than Rs. 10 lakhs in each case as outstanding . . .

MR. CHAIRMAN : If it is very long, kindly put it on the Table of the House.

SHRI K. R. GANESH : Regarding arrears of less than Rs. 10 lakhs, if the hon. Member will give me notice, I shall furnish the information. I have got figures relating to more than Rs. 10 lakhs.

SHRI KRISHAN KANT : May I know from the hon. Minister whether he is aware that if the income-tax returns are not kept confidential, they can be examined by anybody? If somebody examines the income-tax returns he will be able to give information quickly. May I know whether the Government is considering amending the Act, so that this can be done? Secondly, as asked by Mr. Goray, Mr. Chandra Shekhar had given a number of cases about the Birlas and many of them have been proved. May I know how much money he is going to be given for giving this information?

MR. CHAIRMAN : I will not permit questions regarding individual cases. If there is anything about arrears, you may mention them.

SHRI K. R. GANESH : Subject to correction. I think in our own country the returns are public documents.

SHRI KRISHAN KANT : Mr. Chairman, in reply to Mr. Goray's question, he said that he would give something to

those who inform. I am pursuing the reply given to him. In this House information was given about the Birlas by Mr. Chandra Shekhar. He says that you are asking him not to reply.

MR. CHAIRMAN : I think that is enough.

SHRI KRISHAN KANT : He should reply.

MR. CHAIRMAN : I have not permitted individual cases.

SHRI KRISHAN KANT : It was a question relating to income-tax arrears which the Birlas had not paid. It was raised in this House. A number of memoranda were submitted.

MR. CHAIRMAN : By that it does not become relevant. If you start individual cases there will be hundreds of cases.

SHRI KRISHAN KANT : It is not an individual case. It relates to the Birla house. It was raised in this House and I am pursuing it . . .

MR. CHAIRMAN : Unless there is justification for it, I will not permit it.

SHRI KRISHAN KANT : What is wrong about it ? He would have given his reply in half a minute. In this very House, he has said that they were examining it and they would inform us.

MR. CHAIRMAN : No, I am not permitting it.

SHRI KRISHAN KANT : Will you permit me in the next question ?

MR. CHAIRMAN : If it is relevant, I will permit you.

SHRI SANAT KUMAR RAHA : On page 2 of the statement you have said that "As a result of these discussions, the following steps are being taken on priority basis." I want to know from when these discussions were held, how many times held up to date and what is the amount of irrecoverable dues. If they are irrecoverable, why do you suggest that new procedures have been evolved for their speedy write off ? Why speedy ? What are the

administrative steps taken in case of write off ?

SHRI K. R. GANESH : I could not follow the question. I have partly answered. As far as the writing-off of the arrears is concerned, I have answered. He can repeat his question; I have not been able to catch him.

MR. CHAIRMAN : You answer as much as you understood him.

SHRI K. R. GANESH : We have given category-wise information where these arrears are locked up. There may be some arrears which are not recoverable. As far as those arrears which are not recoverable are concerned, I have already indicated under what condition they become irrecoverable—companies go into voluntary liquidation, they have left India and gone abroad and they are not traceable, there is no asset left. It is these things which are taken into account by the appropriate authorities. There is a zonal Committee which goes into these things and finally comes to certain decisions. These Committees have got certain powers. The Board also has got certain powers. It is a long drawn-out process before arrears of Government dues can be written off.

SHRI G. LAKSHMANAN : Sir . . .

MR. CHAIRMAN : Sorry. We have already taken about half an hour on this question.

एकाधिकारी घरानों से सम्बद्ध कंपनियां

182. श्री जगदीश प्रसाद माथुर :

श्री सुब्रमण्यन् स्वामी :

सरदार कुमार सं० चं० आग्ने :

क्या वित्त मंत्री यह बताने की कृपा करेंगे कि :

(क) जो पञ्चद्वार एकाधिकारी व्यापारिक घराने हैं उनसे कितनी कंपनियां संबद्ध हैं ; और

(ख) गत तीन वित्तीय वर्षों के दौरान प्रत्येक वर्ष में इन कंपनियों को आय-कर, धन-कर और दान-कर की कुल कितनी कितनी बकाया देनी थी ?

† The question was actually asked on the floor of the house by Shri Jagdish Prasad Mathur.