

SHRI KRISHAN KANT : I want to know what happened?

SHRI Y. B. CHAVAN : I do not know about that.

SHRI NIREN GHOSH : I would like to know why the Head Office of the nationalised general insurance companies has been located in Bombay which happens to have almost all the Head offices of the financial institutions, militating against the plans and the overall development of the country, because these could be spread out in all the big cities of India and industries follow from that. Knowing that, why have you done it?

SHRI Y. B. CHAVAN : As the hon. Member knows, there are going to be four subsidiary corporations and their headquarters will be in different parts of the country. General insurance headquarters is just a Secretariat and really speaking it does not make any difference because all the other policy matters would be decided in these subsidiary corporations.

\*614. [*The questioners (Sarvashri M. K. Mohta, Debananda Amat and Lokanath Misra) were absent for answer vide col. 35 infra...*]

#### **Deduction of L.I.C. Agent's Commission towards Income Tax**

\*615. SHRI SARDAR AMJAD ALI :†

SHRI HARSH DEO MALAVIYA :

SHRI N. R. CHOUDHURY :

Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that the Life Insurance Corporation Branch Offices have started deducting 10 per cent of

the commission earned by an agent towards income-tax irrespective of the fact whether he falls under the category of income-tax payers or not;

(b) whether Government are aware of the hardships being caused to L.I.C. agents on this account; and

(c) whether towards the end of the financial year, the amount of income-tax deducted from the commission of an agent who does not fall into the category of income-tax assessee, shall be refunded to him in full or whether he will be asked to claim amount so deducted?

#### **THE MINISTER OF STATE IN THE MINISTRY OF FINANCE**

(SHRI K. R. GANESH) : (a) Section 194D of the Income-tax Act provides that with effect from 1-6-1973 income-tax at the rates in force shall be deducted at source from income by way of insurance commission. The rate in force for the financial year 1973-74 is 10 per cent. The L.I.C. has accordingly been deducting tax at this rate from the commission earned by the agents, save in cases where an agent furnishes a certificate from the Income-tax Officer under section 197 of the Act to the effect that the L.I.C. may deduct income-tax at such lower rate as specified in the certificate or deduct no tax, as the case may be.

(b) Some representations were received by Government regarding the working of the aforesaid provisions and necessary instructions/clarifications were issued.

(c) An agent, whose assessable income in the financial year is below the taxable limit, can claim refund of income-tax deducted at source by submitting to the Income-tax Officer a refund application in the prescribed form under section 239 of the Income-tax Act, 1961 together with a return of income.

†The question was actually asked on the floor of the House by Shri Sardar Amjad Ali.

SHRI HARSH DEO MALAVIYA : Will the hon. Minister kindly inform us the total number of agents, the total amount of business they secured and what is the reason for the decline in business of the LIC for small sums?

SHRI K. R. GANESH : As far as the first part of the question is concerned, on 31-3-1973 there were 1,96,004 agents on the rolls of the LIC out of whom 1,54,766 were active during the year. The corresponding figures for the previous years were 1,62,357 and 1,50,859

As far as the second part of the question is concerned I do not think it pertains to this particular matter.

SHRI HARSH DEO MALAVIYA : Sir, I may submit that it is very relevant.

MR. CHAIRMAN : No, it does not arise.

SHRI N. R. CHOUDHURY : In view of the fact that the LIC agents have little scope for hiding their income and the assessed amount of tax can easily be realised from them what induced the Government to deduct 10 per cent of their income indiscriminately without verifying whether the agent concerned is an income-tax payee or not?

SHRI K. R. GANESH : This provision has been made to plug the loophole for tax evasion as well as benami and fictitious transactions that were being carried on by some of the agents. It is not correct to say that it is a very small amount that is involved because in the year ending 31-3-1972 as much as Rs. 31 crores have been paid as life insurance agency commission for that year. And, Sir, all that is required for an LIC agent is to file a petition be-

fore the Income-tax Officer that his income is less than the taxable limit...

MR CHAIRMAN : That you have stated in the beginning.

SHRI K. R. GANESH : ...take a certificate and give that certificate to the LIC.

DR R. K. CHAKRABARTI : It takes three years to get the certificate. It is not that easy.

MR CHAIRMAN : It is easier for you to remain sitting now.

DR R. K. CHAKRABARTI : He is making it so easy.

SHRI C. D. PANDE : The hon. Finance Minister has said that they were paid Rs. 30 crores as Commission and this amount was paid to 1,50,000 people and therefore the average is not so high. Moreover a 10 per cent deduction is rather high because it is those who are assessed for an income of Rs. 15,000 who have to pay a tax of 10 per cent. It means that those who are assessed at 15,000 a year have to pay Rs. 1,500 as tax. Out of this 1,50,000 people I am sure 80 per cent of them or so are below the minimum limit and may not be liable to pay any tax at all. You can deduct only from such persons whose income was beyond Rs. 15,000 in previous years.

SHRI K. R. GANESH : This 10 per cent has been fixed for 1973-74 and this is subject to review by the Government depending on the various factors. As I said earlier, all that is required is he should file a petition before the Income-tax Officer. The point that the hon. Members raised is that it takes 3 years. It may be that certain mistakes are there but they could be looked into by the Commissioner of Income-tax. If any particular facts are brought to our notice we will see that it is expedited.