

**GOVERNMENT BILLS****The Finance Bill, 2005**

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, I move:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 2005-06, as passed by Lok Sabha, be taken into consideration".

Sir, I am grateful to the hon. members who approved and passed the Appropriation Bill. The Finance Bill, as the hon. Members know, is intended to give effect to the taxation proposals. So, let me briefly give you the philosophy behind the changes that are made in the Finance Bill to the tax laws.

The Direct Tax side, the previous Government had appointed the Kelkar Committee. And, the Task Force of the Kelkar Committee made very extensive and valuable recommendations. We have applied our mind, and we have accepted some of the more important recommendations. The idea is that in direct taxes, there must be a reasonable exemption threshold and then there must be reasonable incentive for savings. Taxation has two objectives. One is to raise revenue, and the other is to encourage people to save. By appropriate rates of taxation, you collect revenue; by appropriate, incentives and exemptions, you encourage people to save. So, the Government decided that we will raise the threshold limit to everyone to one lakh of rupees and we will encourage everyone to save, and if they save up to one lakh of rupees that also will not be subject to any tax. There is another method of giving tax relief, what is called the tax rebate route. The Kelkar Committee has frowned upon this route. In my view also, this is not what modern tax systems follow. If you go through the tax rebate route, the State is indicating its bias in favour of one instrument as against another instrument. I think, savers are wise people. They know what they should save in, whether they should save in instrument 'A' or instrument 'B' is a matter that should be left to the saver. The Government should not indicate its bias in favour of one kind of saving or another kind of saving. For example, one saver may think that the National Saving Certificate is a good saving instrument; another man may think that the LIC insurance policy is a better one; the third person may think that the Public Provident Fund is a better one. We must leave it to them. Therefore, we cleaned up the whole direct taxes side -one lakh exemption across the board; one lakh saving

limit, which will not be taxed. For women, of course, we have a special corner. Therefore, we had initially announced one lakh twenty-five thousand rupees, but then, when I found that there was an anomaly in a small range, we immediately corrected that anomaly, and, now, we have made it one lakh thirty-five thousand rupees. For senior citizens, again, we have a special corner. We initially announced one lakh fifty thousand rupees. But, when I found that the pensioner senior citizen, not the non-pensioner senior citizen, the pensioner senior citizen's pension is reckoned as salary for the purpose of standard deduction, the pensioner senior citizen was marginally affected in one bracket, we made it one lakh eighty-five thousand rupees. Sir, there is a popular misconception that women do not save; that senior citizens do not save. It is completely wrong. The Kelkar Committee had done a sample study, a very large sample, I think, nearly a million returns, and they have found that senior citizens also save. In fact, if senior citizens did not save, why was there a clamour for the senior citizens saving account at nine per cent? If senior citizens do not save, how do senior citizens take up LIC insurance policies? I will give you the numbers, when I reply. If senior citizens do not save, how do so many people who are senior citizens take up Mediclaim policies? So, senior citizens also save. So, all these calculations which appear in some newspapers, from time to time, the assumption that senior citizens do not save is made, that is a wrong assumption. So, we have to assume that a senior citizen also saves some part. If you take that into account, and the correction that I have made, virtually, nobody is affected, everybody is benefited by the new rates. And, once we have "done this, we have got rid of all other exemptions, we have got rid of 88B, as recommended by the Kelkar Committee; we have got rid of SOL, as recommended by the Kelkar Committee, again. The clean-up has been done. This is a major clean-up of the direct taxes provision.

On indirect taxes side, Sir, there is not much controversy. We have reduced Excise Duties in many cases; we have reduced Customs Duties by five per cent. Wherever there was an inverted duty structure, we have tried to rectify it. In one or two cases there still remains some inverted duty structure, but that is a historical baggage, which can't be rectified in one year; it has to be rectified in steps. But most of the inverted duty structures have been rectified. As far as customs and excise duties are concerned, I do not think there is any major criticism. By and large, customs and excise duty changes have been welcomed.

On the service tax side, we have maintained the service tax at ten per cent. We have added, of course, a few more services. Every year, new services are added and there is nothing new about it. Sir, service tax accounts for 52 per cent of our GDP. So, that has to contribute some tax. Last year, for example, the services contributed Rs.14,000 crores of tax. So, 52 per cent of GDP is contributing Rs.14,000 tax is peanuts, I must say. It must contribute much more. So, more services must be brought into the net. We have added some more services every year. We have kept a rate of ten per cent. But the effective rate is not ten per cent.

Now we have allowed MODVAT of the service tax paid against the service tax payable. We are also allowing MODVAT of the excise duty paid against service tax payable. That change was made last July. So, the effective rate of service tax in many cases where services are consumed, where goods are consumed, will be far less than ten per cent. It may work out to six per cent or seven per cent.

Just like people got used to paying excise duty on goods, they must get used to paying service tax on services. There is no difference. What is the excise duty? A duty on value addition. Value addition on goods. Service tax is again the same. It is the duty on the value addition on service. By and by, all services must be brought into the tax net so that the service sector contributes its due share.

Sir, I think, what we have done is a major reform on the direct tax side. We continue with the reform on the indirect tax side. We continue with the expansion of service tax net. I would request the hon. Members to support the Finance Bill, as amended by the Lok Sabha and return it to the Lok Sabha. Thank you.

*The question was proposed.*

SHRI PIG. NARAYANAN (Tamil Nadu): Mr. Deputy Chairman, Sir, I thank you for giving me an opportunity to present AIADMK's stand on the Finance Bill which is under consideration of this august House. Sir, at the outset, I would like to draw the attention of the House to the acute drinking water problem faced by one crore people of Chennai City. Sir, the drinking water problem of Chennai City has become more acute since the north-east monsoon has totally failed for the past three years and the water level in the reservoirs are in a precarious condition.

The Andhra Pradesh Government has failed to implement the Telugu Ganga Agreement initiated by late Smt. Indira Gandhi, to provide 15 TMC of water to the Chennai City. By not releasing the water as agreed to, the Congress Government in Andhra Pradesh has betrayed Indira Gandhi. ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: Mr. Sanghi, don't intervene, please. This is a debate.

SHRI P.G. NARAYANAN: Sir, the only solution to the drinking water shortage is setting up of a desalination plant in Chennai. The State Government..... *(Interruptions)*.....

MR. DEPUTY CHAIRMAN: Please sit down. ...*(Interruptions)*... The Member has his own views to express.

SHRI P.G. NARAYANAN: The State Government tot floated a tender and technical evaluation of the bids is expected to be completed in the next one month. I urge upon the Finance Minister to honour his commitment given in this House for providing financial support to this important project. I request the Finance Minister not to play politics even on this issue of drinking water, which is the basic amenity of the common people.

Sir, Tamil Nadu has been facing a massive financial crisis since our Government assumed office four years ago. The Eleventh Finance Commission reduced the share of Tamil Nadu in the Divisible Central Pool of Central Taxes from 6637 per cent to 5.385 per cent, which is a reduction of nearly 19 per cent. Sir, the previous DMK Government failed to protect this fiscal calamity even though it was in power both at the Centre and in the State.

Sir, a lot of disinformation campaign is going on how and why the State of Tamil Nadu is dragging its feet in the implementation of the VAT. Sir, the view of our Chief Minister is that there will be a significant net loss of revenue to the State if the VAT is introduced. The State Government, therefore, has insisted very strongly that the Centre should finalise the proper compensation formula for providing complete protection to the affected States. The present Central formula of providing compensation to the affected States is half-hearted, to say the least. Sir, although the Centre promised full protection in the first year, the compensation comes down to 75 per cent in the second year and 50 per cent in the third year.

Our assessment is that according to your compensation formula, there will be a substantial revenue loss to the State of Tamil Nadu. This continues to be a worrisome factor. Another worrisome aspect is the decision of the Empowered Committee to limit the list of exempted items to just ten commodities and several Tamil Nadu specific items, which the Government sought to include in the exempted category, could not be included. To cite an instance, rice, which is a staple food of common man in Tamil Nadu, was not included in the exempted category by the Empowered Committee. Sir, after much persuasion, the Committee agreed to exempt foodgrains that too only for one year followed by a review. Sir, there is a need for building a proper consensus among all sections of the society before the VAT is introduced in Tamil Nadu. Sir, Tamil Nadu has to consider the fact that neighbouring States like Kerala, Karnataka, Andhra Pradesh and Pondicherry have gone ahead with the implementation of the VAT from last month. The intention of the Tamil Nadu Government is to carry on with all sections of traders, small businessmen, manufacturing sector and consumers before implementing this major tax reform with far-reaching implications. It will be our endeavour to arrive at a consensus and only thereafter proceed with the introduction of a Bill to implement the State Value-Added Tax.

While Tamil Nadu appreciates the recommendation of the 12<sup>th</sup> Finance Commission to increase the total share of all States in the divisible pool of Central Taxes by 1 per cent, our Chief Minister Dr.- Puratchi Thalaivi has always been pressing for substantial hike in the State's share. Our Chief Minister has rightly demanded that the State's share should be hiked to a minimum of 50 per cent as against the 12<sup>th</sup> Finance Commission's recommendation of 30.5 per cent. India will become a genuine democracy only when the Delhi Durbar ends and States are given higher financial powers. But, unfortunately, both the national parties, the BJP and the Congress, have a massive hidden agenda of not respecting the rights of the States. It is gratifying that the 12<sup>th</sup> Finance Commission has recommended enhancement of the grant given to States to face natural calamities, grants to local bodies and for maintenance of roads and buildings. But, it is disappointing that the Commission has given substantial grants for meeting the deficiency only to 15 States leaving out Tamil Nadu. The Commission has also recommended substantial grants to some States for health and education and the same facility is denied to Tamil Nadu which is using its scarce resources to fund and finance these essential sectors. It has been a practice of the Central Government to penalise efficient and better-governed States in the matter of allocation of funds. The policy pursued by the

successive Central Governments has only led to benefit inefficient and poor performing States. It is not a co-incidence that better governed States, by and large, are the Western and the Southern States. It is they who provide nearly 90 per cent of country's foreign exchange by way of exports. But they are penalised in every sphere of fund allocation. This situation cannot continue indefinitely. People of these States will definitely rise in revolt against this gross discrimination. Whether it is linking of rivers, setting up of power plants, providing energy sources or fund allocation, these States are penalised. It is, therefore, important from national perspective that the 12<sup>th</sup> Finance Commission should have assured a more equitable and rational distribution of resources. After all, the Finance Commission's recommendations should have focused more on rewarding the efficiency and good governance in determining fiscal entitlements rather than take the beaten path of more funds to the so called backward States. Sir, the Finance Minister has given tax rebate upto one lac of rupees per year. But he has not made clear whether the investment made by the public will be taxed when the tax saving instruments mature. Since the Finance Ministry has left this issue deliberately vague, people may presume that these savings will be taxed at the time of maturity. The Finance Minister has to clarify; otherwise, this will lead to utter confusion and people will be forced to believe that they have been defrauded. Plan support to State Governments has been reduced substantially because of the stoppage of onward lending by the Central Government. The States have been asked to assume the growth of 18 per cent in the Central Assistance while finalising the resources for the Annual Plan. The total Plan grants in the Budget Estimate of 2005-06 to all the States show a growth of mere eight per cent over the Budget Estimate. This will hardly cover price inflation and it is almost static in real value.

MR. DEPUTY CHAIRMAN: Please conclude.

SHRI P. G. NARAYANAN: The treatment given to Tamil Nadu in the creation of backward district area fund is unfavourable, as against the total provision of Rs. 5000 crores for this project. It is unlikely that my State will get any major allocation. The Finance Minister has also not considered the State's request for allotment of fund under the Accelerated Irrigation Benefit Programme. Tamil Nadu is the only State in the country which has no perennial rivers at all and the only river Cauvery has been converted into a drainage canal by the Congress-ruled Karnataka Government. Despite this, Tamil Nadu will not get any fund under the Accelerated Irrigation

Benefit Programme for which the Centre has earmarked the sum of Rs. 4800 crores to the States, as provided in the Budget Estimate of 2005-06. Sir, States have been forced to raise resources through the market because of the negative attitude of the Central Government. Though Tamil Nadu will be able to raise resources from the market, because of its financial credibility, most of the other States may find it difficult to tap sources. Every time these States look up to the Central Government for raising resources. The Centre is gradually increasing non-sharable component in its Revenue Receipts, with a view, to bringing down the resources of these States. It has reduced the corporate tax rate, but levied additional surcharge of ten per cent. The proceeds of this surcharge will go, 90 per cent, to the Central Government, thereby weakening financial devolution to the State Governments. The Centre is maintaining a separate purse which is non-sharable on important items like educational cess and petroleum cess. A cess or a surcharge is not sharable, and it is fully retained by the Central Government. This is unjustified and goes against the very spirit of the Constitution. I will now refer to the reduction in the allocation of funds to the social sector programmes. The Budget Estimate of 2005-06 under SGSY programme on rural development is fixed at Rs. 862.24 crores, as against Rs. 900 crores in the Revised Estimate of 2004-05. Sir, for SGRY, the total outlay has been reduced to Rs.3600 crores in the Budget Estimates of 2005-06, as against Rs. 4590 crores in the Revised Estimates of 2004-05. These figures mean a reduction of 21 per cent in the outlay of the current year.

MR. DEPUTY CHAIRMAN: This is the Finance Bill. It would have been appropriate to mention all these things in the Budget discussion.

SHRI P.G. NARAYANAN: Sir, for the rural housing, the Budget Estimate for 2005-06 has been reduced to Rs. 2492.8 crores, as against Rs. 2602 crores in the Revised Estimate of 2004-05.

I would like to draw the attention of the House on how the UPA Government has reduced allocation for various social sector projects that will benefit the weaker sections of the society. I am also drawing the attention of the CPI(M) and the CPI Members, who are supporting the Government from outside. I do not know whether these parties also share Mr. P. Chidambaram's ideology of punishing the poor and the weaker sections of the society. I would like the Finance Minister to respond on the UPA Government's commitment on employment guarantee of, at least, 100 days in a year for rural households who are living below the poverty line in

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all parts of the country. This assurance is given in the Common Minimum Programme of the UPA Government.

MR. DEPUTY CHAIRMAN: Please conclude. We have to adjourn for lunch.

SHRI P.G. NARAYANAN: Sir, Nothing has happened even after one year. I would like the Finance Minister to clarify this point. With these words, I conclude my speech.

MR. DEPUTY CHAIRMAN: The House is adjourned for lunch till 2 o' clock.

The House then adjourned for lunch at fifty-eight minutes past twelve of the

clock.

The House re-assembled after lunch at two minutes past two of the clock, MR. DEPUTY CHAIRMAN in the Chair.

SHRI MURLI DEORA (Maharashtra): Thank you, Deputy Chairman, Sir. I rise to support the Finance Bill, 2005. ...*(Interruptions)*... When you were in school, I was making speeches. ...*(Interruptions)*... Sir, last year, in the General Elections, people of India gave a massive vote against the policies of the Government of NDA. They gave a great support to the leadership of Shrimati Sonia Gandhi. We all know that after elections, even after being unanimously elected as the Leader of the Congress Party in the Central Hall, she refused to accept the Office of the Prime Minister. What came out, naturally, was that the mantle fell on Dr. Manmohan Singh. When Dr. Manmohan Singh became the Prime Minister of India, who could have been the Finance Minister, Shri P. Chidambaram became the Finance Minister. This has almost become 'A' Team of the economic reforms around the world, with Dr. Manmohan Singh as the Prime Minister and Shri P. Chidambaram as the Finance Minister. In Mr. P. Chidambaram, the country has a Finance Minister who is able to craft economic policies, with economic reforms, allocating more and more funds to the poor and vulnerable people. If we see his performance for the last 11 months or one year, there is hardly any gap between the promises and the performance. I will recite a few of the achievements. In a short span of less than a year, the Government has achieved, as we all know, the GDP growth of 7 per cent — it may be more -- bringing down inflation to less than 5 per cent. There is export growth rate of 25 per cent in dollar terms, even though the rupee is becoming stronger. As you know, when rupee becomes stronger,



the export figure shows less growth. The equity mobilisation in the capital market created a record Rs.21,500 crores -- Rs.21,500 crores through IPOs as against Rs.1039 crores in 2002-03. This was the progress. And, I don't think the Bombay Stock Exchange would have ever reacted so favourably except when the Finance Minister presented his Budget this year. When we faced the tragedy of Tsunami and thousands of people died, it was the first time when the Indian Government refused to take any help from any international donor. Nobody has donated anything; the Government refused to accept. Not only this, the Government of India went out of the way to support and help our neighbour country, Sri Lanka. Hundreds of our people and jawans were working in Sri Lanka, which has raised India's status. The Prime Minister, Dr. Manmohan Singh himself was supervising this. Shrimati Sonia Gandhi and Dr. Manmohan Singh personally visited there and spent so much time with the Tsunami-affected people. The Government has shown its commitment on the Budget presented last year by increasing allocation for the social and poverty alleviation programmes. In the last six years, vulnerable population, namely, the poor, rural, unemployed were not taken care of, but this Government immediately formed its first Budget, addressing this challenge this issue. The first issue is of education. This was in our manifesto, and by putting the education cess, the allocation for the Prathamik Shiksha Kosh and the Sarva Shiksha Abhiyaan has been increased. The National Rural Health Mission and the Employment Guarantee Scheme, started with 150 districts, are also in the right direction. Last year, the Government had set a target of Rs.1,05,000 crore to be disbursed as agricultural credit. The original disbursement was Rs.80,000 crores. And, against Rs.1,05,000 crores, the actual disbursement was Rs.1,15,000 crores, which is 35 per cent higher than the original Rs.80,000 crores. As regards the farmers falling under the credit system, the Government promised 50 lakhs new farmers will fall under this system, as Mr. Chidambaram rightly said in the Lok Sabha when he was speaking on the issue of bank credit. But in 2004-05, the achievement is 78,84,000 farmers, instead of 50 lakhs, which is almost 26-27 per cent more. There has been a massive increase in the number of educational loans. In 2003-04, nearly Rs.2,000 crores were disbursed to 1,07,000 students. And, what happened this year? In the year, 2004-05, nearly Rs. 3,300 crores were disbursed to 1,67,091 students, an increase of almost 75 per cent. For 6 years, the NDA Government promised that they would raise the tax exemption limit. I remember, both Shri Yashwant Sinha and Shri Jaswant Singh, when they were Finance Ministers, had said, outside the Parliament,

not inside the Parliament, that they will raise the tax exemption limit to Rs.1,00,000, but did not had the courage to do that. The first thing this Government did, was to raise the exemption limit to Rs.1,00,000. As regards the tax collection targets, when the Budget was presented, several editorials and the people said in the Parliament that they were unachievable. These targets will never be achieved. But, actual collection of indirect taxes increased by 16 per cent, actual collection of direct taxes increased by as much as 26 per cent. The growing population in our large cities and metros calls for improved infrastructure. I am not saying that we should not do much for the rural areas...(Interruptions)... but we know that population in urban areas is growing. They have so much to contribute to the national exchequer and we must share some benefits to the urban areas also. Of course, we must give priority to the rural areas. Yes; we must do that. And, from where do the urban people come, from where do the urban poor come? These \_are the people who migrate from the rural areas. If there are jobs and opportunities available in rural areas -- they will not be coming to the big cities and creating a problem. But, anyway, it is the Government's responsibility' to look after them, and I must congratulate the Government that it is the first time the Urban Renewal Commission with Rs. 4000 crores has been established. ... (Interruptions)... Sir, I have initiated, maybe, 7-8 times, the debate on the Finance Bill, and when one speaks on the Finance Bill, one has to speak on various other economic issues also. Some of my friends here who are nodding their heads are advising me that you should speak only on the tax, nothing else. Nobody is interested; nobody should speak on the employment and several other social sectors. What is the tax collection system? Tax collection is a philosophy, a political philosophy, not only the economic philosophy, which decides how much tax should be collected, who should be benefited, where the tax should be deployed, etc. I would like to quote here one line from Mr. Chidambaram's speech replying to the Budget debate, on the Finance Bill. I quote, "We strike a right balance between taxation and savings, a right balance between lending rates and borrowings, a right balance between Plan expenditure and non-plan expenditure." Here, I would like to draw the attention of the hon. Finance Minister, even though he says, that there should be a balance between the rate of borrowing and the rate of lending, if you see today, there is a vast difference between some of the Government instruments, the Reserve Bank of India, *Kisan Vikas Patra*, and the instruments of several other organisations which are taking deposits or lending money. The savings bank interest rate on deposits is three and a half per cent, but what

the banks are charging -- eight, nine and ten per cent. Even today to the small-scale sector, the banks are charging 10-11 per cent. There is this widespread difference. There is so much difference. The difference of 3-6 per cent between the lending and borrowing is very high. The banks must function in a scientific manner, so that their cost of administration goes down. I remember a very famous quote of the then World Bank President, Mr. Robert McNamara. He said, "Interest rates should be high enough to attract savings, but not so high to discourage investment." Four-five years back, the interest rates went up so high that it was easier for people to invest in the banks, sleep at home and get an interest of 11-12-13 per cent. Nobody was ready to take risk. Nobody was ready to take risk<sup>1</sup> to invest and start a manufacturing unit. Why should they do that? But now, fortunately, the interest rate has gone down. But this should be said, except the high interest or high return to the Employees' Provident Fund and the senior citizens which the Government has done — I compliment it for that - there is a need for reduction in the banks' lending rates. Different arms of the Government, what I was saying, the Reserve Bank of India, Post Offices, *Kisan Vikas Patra*, National Savings Certificates, all of them have different rates of interest. They are borrowing at different rates and they are lending at different rates. They should all be streamlined.

While replying to the debate on the Finance Bill, the hon. Finance Minister has also mentioned about the massive Foreign Exchange Reserve that the country has built up. There is Foreign Exchange Reserve of nearly 143 billion dollars, and our external debt is about 112 billion dollars. I have a question, which I raised in the Parliament some time back. The Government is now pre-paying some of the loans, which it had taken. I would urge upon the Government and the hon. Finance Minister that there are several loans, and there should be selective pre-payment of loans, rather than carrying a heavy exchange reserve. If we have foreign exchange reserves of 140 to 145 billion dollars, it is better to pay various loans. I am told some loans still carry a very high rate of interest. I am aware that the loan of 5 billion dollars from IMF, the Japanese ODA loan and the KFW loans have been partially repaid. Still, there is a need for a proper exercise to repay the loans.

The foreign exchange reserves, which have done so well, was 5.8 billion dollars in 1991, and it is 142 billion dollars today.

SHRI P. CHIDAMBARAM : .... it was one billion dollars.

SHRI MURLI DEORA : Yes, and the Government were contemplating selling off the gold. Shri Bimal Jalan is here; I think he was not the RBI Governor at that time. Sir, I would like to bring to the attention of the House how opening up of economy helps. It was in July 1991 that Dr. Manmohan Singh presented the first statement on Industrial Policy. It was the day when delicensing took place and people were standing in queues at Udyog Bhavan and North Block to get a license to start manufacturing. I shall quote only one line of Dr. Manmohan Singh's speech. It says, "These are measures to unshackle the Indian industrial economy from the cobwebs of unnecessary bureaucratic control."

Here, especially to my Left friends, I would like to give two small examples, very small examples..*(Interruptions)*... I know he was my leader, of course.

I just want to draw your attention to two products. Cement was available in the Mumbai market at Rs. 60 a bag. You may remember that when Shri Antulay was the Minister, it was Rs. 60 a bag in the market. The control price of cement was Rs. 16 a bag. The cement manufacturer was making all black money and keeping it for himself, while the company was incurring losses. We also had something called the Monopolies and Restrictive Trade Practices Commission. Thanks to this MRTP, nobody was allowed to manufacture cement.

SHRI JIBON ROY (West Bengal): What is the price today?

SHRI MURLI DEORA: It is higher today; it does not matter. But today, we are not importing cement. At that time, we were importing cement, my dear friend. I remember, I was Chairman of the State Industrial Development Board at that time. We were importing cement from South Korea. We were allowing the import of cement from South Korea, but we were not allowing the Tatas, or, Birlas, or, Goenkas, or, L&T, or, other companies to manufacture. This is what MRTP was doing. That was the time when industrial delicensing took place.

- SHRI JIBON ROY : The prices are international, while wages are national..*(Interruptions)*...

SHRI MURLI DEORA : He has got his own opinion, that is not the problem. I would like to give the second example..*(Interruptions)*...I would like to look at him. Why should I not look at him? Should I look only at you..*(Interruptions)*...

MR. DEPUTY CHAIRMAN : Please, look at me...*(Interruptions)*...

SHRI MURLI DEORA : Sir, the second example I would like to give, rightly reminded to me by Shri Jairam Ramesh, is the telecom. If you remember, thousands of crores of rupees were given as budgetary support to the Department of Posts and Telecommunications.

SHRI NILOTPAL BASU (West Bengal): Sir, I think, under the Rules of Procedure, one could not mislead the House...*(Interruptions)*...There was not a paisa of budgetary support to the Telecommunications Department. It might have been given to the Postal Department. I am not contesting whatever you have to say subsequently. But, it is factually incorrect; the Telecom Department was never given a paisa of budgetary support. Of course, in the case of Postal Department, it is still being given; it has to be given. But in the case of Telecom, the entire development in this country is without any budgetary support.

SHRI MURLI DEORA: I am not contesting your statement. I shall correct myself if you say so. What I am trying to say is, maybe at that time there was no budgetary support, but today, how many thousands of crores of rupees are we getting as licence fee? Have you seen that, my dear friend?... *(Interruptions)*...

SHRI NILOTPAL BASU: Since you are referring to me, I am only saying that in the villages telephones are not going.

SHRI MURLI DEORA: I do not mind.

MR. DEPUTY CHAIRMAN: You are addressing Shri Nilotpall Basu.

SHRI MURLI DEORA: I don't think my learned friend has any disagreement with me on this point that opening up of the economy helps. Opening up of the economy had provided competition. When you have a competition, the quality will be better, price will be lower and service will be better. It has been proved all over the world. I am sure, when you talk from Kolkata to your constituency or somewhere in the villages, or when you talk from Kolkata to Delhi or Mumbai or anywhere else, you will certainly feel that the services are much better and much cheaper. I remember, I used to book a call to New York -- my son was studying there - I used to get the call next morning; not the same night, and it was midnight there when we used to get the call.

SHRI NILOTPAL BASU: This is because of the technology.

SHRI MURLI DEORA: These are the fruits of de-licensing. These are the fruits of opening up of the economy. Now, I come to another point, which is bothering you and which Mr. Chidambaram, again and again, speaks, about the insurance. I chaired the Finance Committee of Parliament which cleared the insurance, and we took a decision to bear 26 per cent FDI in the insurance sector initially, and the Government is proposing, still proposing, 49 per cent. Here, I am with the Left, not with the Government -- I must say that -- because one clause is very clear, and you know it Mr. Jairam Ramesh. Clause 6AA of IRDA is very clear which says, the Indian promoter of the insurance has to bring down his equity to 26 per cent within a span of ten years or so. We should not see a day when the Indian promoter has to bring down his equity to 26 per cent and the foreign promoter goes from 26 per cent to 49 per cent. This is what I am trying to say. In case, you want to increase the FDI in insurance sector, I want to remind again my friends who were opposing opening up of the insurance, 6 lakh new jobs are created and soon it will be one million.

Sir, one of the biggest impediments to the country's aspiration of the high economic growth is the lack of investment in infrastructure, power, telecom, roads, ports, civil aviation, etc.

THE MINISTER OF YOUTH AFFAIRS AND SPORTS (SHRI SUNIL DUTT): In sports also.

SHRI MURLI DEORA: Shri Dutt is right. We need investment in sports also. I want to draw the attention of the House to the fact that only 55 per cent of our households have access to electricity. What is happening in Delhi? These days -- and this is the first time -- I am seeing in the city of Mumbai, which has never faced such a power crisis, that there are almost power riots, electricity riots. In the State of Maharashtra, no power is available, no power is available on the pump. This is a time that the Government should think about public-private partnership, not the public sector or the private sector. With the FDI, this can ..... (*Interruptions*).....

SHRI JIBOM ROY: No planning was there.

SHRI MURLI DEORA: Okay, there was no planning or it was not implemented properly, or whatever happened. Now we should, at least, see that our next generation has a proper access to power. By 2012, we need 1 lakh MW more electricity and that needs 200 billion dollars. From where will you get 200 billion dollars? Neither the Government of India nor the private sector can afford this. I was told that several private sector projects

in India are now held up for want of funds. Unfortunately, Shri Mani Shankar is not here -- co-ordination between the Gas Authority of India Limited (GAIL) and the Ministry of Power. Some of the companies, which have closed their financial year, are waiting whether they will get gas when they start their power projects. So, I would request that there is a need to have an effective co-ordination between these two sectors so that the new power plants in the private sector and the public sector can come up. The other infrastructure, which is very, very important for our economy, is roads. National Highways Authority, by and large, has done a good work. But, I am told that at present, their work is going very slow. So, there is a need to speed up the work. I know that Finance Minister has given more allocation by way of special tax, but there is a need to speed up the project and it is suggested that why not make the National Highways Authority an autonomous body, which will help their working. I have spoken on insurance. Now, I would like to speak about the two taxes, which the hon. Finance Minister has proposed. One is the tax on cash transfer. Now, I had the privilege to hear hon. Finance Minister's speech sitting in the Central Hall when he replied in Lok Sabha. I quote from his reply which he gave earlier this week in Lok Sabha, Mr. Chidambaram said, "The banks concerned did not enquire into the occupation line of the business or local address of Shri so and so on..... " Two solitary examples, two solitary examples, where somebody withdrew Rs.20 crore or Rs. 30 crore....(*Interruptions*)... Okay, Rs.76 crores, doesn't matter. This was a mistake of the bankers. They should have drawn their attention. Now, it is good that he has exempted this tax in respect of savings account. But, what is the guarantee that if somebody will put his money in S.B. A/C and then take out from it, there is no limit there. In savings account, you have not put any limit. Up till now, you have not put any limit. I was reading some editorial today, I don't know which newspaper it was, that such taxes are not going to help. We applaud the hon. Finance Minister's interest of bringing black money to book. He must bring them to book. But, by this, he will not be able to catch the trail. The trail will go somewhere, and he won't know where the trail would go. Similarly, there is the case of fringe benefit tax. Now, the hon. Finance Minister himself has said in his speech that the real incidence of fringe benefit tax on companies will be from one-and-a-half per cent to two per cent. What is the use of reducing the tax on the corporate sector and then putting one-and-a-half or two per cent more? How many new files and papers will be created? If somebody withdraws Rs.20 or 26 thousand rupees from the bank, the bank will have to

inform the Income Tax Department. The Income Tax Department will carry a separate file on who has withdrawn the money. The hon. Minister, in his reply in Lok Sabha, said that we are not talking about 25,000 rupees, we are talking about withdrawal of crores of rupees or lakhs of rupees. But, the Income Tax Officer does not know what your intention is. That is not your intention. So, I would very humbly request the hon. Finance Minister to reconsider this tax. I remember, last year, when the Budget was so good, you proposed a transaction tax on the stock market. When we opposed that and rightly, you responded very well. This is a massive change I personally see in Mr. Chidambaram that he has become very responsive. I hope he will continue to have such response. When he feels that something is wrong, when he feels that something better is available, then he corrects that, changes that. Sir, I would like to say one line about the replacement of Sales Tax with VAT. I must compliment Mr. Chidambaram for standing by the States which have said that they will continue to have the VAT. I am shocked to know one thing. Unfortunately, my friends from the BJP are not here. As a Member of the Finance Committee, I remember that Shri Yashwant Sinha and Shri Jaswant Singh both had called special meetings for promoting VAT. I remember, I told him that the Delhi State Assembly elections are coming; don't run away from this tax. They ran away from this tax and they lost the Delhi Elections also.

I compliment Mr. Chidambaram for standing by it. Sir, some of the big States like Tamil Nadu and UP have still not fallen in line. I would say that you must convince them that they will get whatever will be their shortfall for two years. You should convince them, assure them, and, guarantee them that whatever will be the shortfall, they will get that.

Sir, with what I know little bit about business, I can tell you that the people, especially the Sales Tax practitioners whom I talked to in Mumbai, are telling that because of the implementation of VAT, the tax returns of the States will be much, much higher, may be hundred per cent. I mean people don't believe this today but it will be very much higher and the Central Government should take this risk. I compliment Mr. Chidambaram, as he rightly said in the Lok Sabha, this is the best tax reform the country has.

When Mr. Chidambaram presented his Budget, he said one line, and, that was very widely used by the Indian media. I quote, "This is an attempt to lay down a path in which growth and equity will reinforce each other and build a new India." Mr. Chidambaram in his Finance Bill, in his Budget and



during the course of his performance in one year has done this. With these words, I thank you for having given me the opportunity to speak on the Finance Bill, 2005.

SHRI CHITTABRATA MAJUMDAR (West Bengal): Mr. Deputy Chairman, Sir, I thank you for giving me an opportunity to speak on the Finance Bill, 2005. At the outset, I must thank the Finance Minister for accepting some of our proposals. Now, in this House, the Opposition is absent. If they had been present here in the discussion on the Finance Bill, naturally, they might have critically spoken. So, naturally, as we are supporting the Government, we are supporting the Finance Bill also. But I would like to speak something critically so that, at least, some of the gaps may be considered in future. Now, the main thing on which I want to concentrate myself is that as some concessions have been given, more resources have to be collected to balance the Budget. But the question is from which sector the resources have to be collected. We have seen that the main source of tax revenue is collection of tax arrears. Tax arrears increased from Rs. 47,000 crores in 1997-98 to Rs. 1,00,000 crores in 2003-04. So, it is a big source of resources, which the Government could mobilise. Sir, in the tribunals, direct taxes worth Rs. 55,138 crores and indirect taxes worth Rs. 19,473 crores have been locked up because of the various factors. Now, regarding the assessed amount, what I suggest is this. What is happening today is that the assesses are not paying the taxes and they are raising disputes. That is why a huge amount is being locked up. So, my proposal is, the system has to be made in such a way that the assessed amount should be deposited with the Government. And, if there are any disputes, they may raise disputes and those may be sorted out afterwards. In that case, a huge amount of resources will not be in the hands of the taxpayers.

Another point I would like to raise is from whom the amount has to be collected as tax. One suggestion is there from the Standing Committee on Finance, that is, the specific focus has to be put on the high-end taxpayers so that the substantial amount may be collected. This is, I referred, on about whom should be taxed and they are high-end taxpayers. But, what is normally happening is, when the question of resource mobilisation comes, the poorer sections are being taxed in the form of excise duty or in the form of sales tax, etc. The poorer sections are being taxed. But, steps have to be taken so that these high-end taxpayers may not escape. The corporate tax collection for the year 2004-05 has

been reduced from Rs. 88,436 crores to Rs. 83,000 crores. That means, the Government is giving concession to the corporate sector. The customs duty has also been reduced from Rs. 56,250 crores to Rs. 53,182 crores. But, the excise duty, the burden of which is being transmitted to the poor people also, has been enhanced from Rs. 1,00,720 crores to Rs. 1,21,533 crores. This is for the last year. So, this is the tendency of the Government. The Government is trying to collect resources from the poorer sections more and more and the upper section is being let off.

Likewise, about the NPAs. On 31<sup>st</sup> March 2004, the total quantum of NPA, of top 10 borrowers was Rs. 3,908.96 crores, and the total amount is Rs. 19,744.2 crores. The recovery is only of Rs. 1,748.49 crores up to 30<sup>th</sup> June. So, these are the areas where the Government should pay attention, how these problems can be solved, how these arrears can be collected, how the dues from the companies or the individuals, who have not returned their dues, can be collected. In these areas, the Government should pay more attention. I would like to know whether the Government is thinking to impose an additional 50 paise cess on petroleum products, diesel, etc. I would like to quote from the Report of the Standing Committee on Transport and Tourism. It says, "The Committee takes exception to the fact that funds accruing to the Central Road Fund due to levy of additional cess since 01.04.2003 have not been provided to the Department of Road Transport and Highways in spite of the fact that this additional cess of 50 paise per litre on petrol and diesel was levied primarily to support the implementation of National Highway Development Project (NHDP)." I would request the Finance Minister to clarify it whether this additional cess of 50 paise has been proposed in 2005-06. As I explained earlier, the Government is trying to mobilise funds from the poorer section, because it is easier for them to mobilise funds from them. But the areas where the Government should pay attention to are other areas, to which I have referred when I was talking about the concessions given to investors, and what type of benefits they are getting. For example, due to technological advancements, the productivity has been increased. Now investors are trying to get various benefits from the Government in the name of creating employment. But what they are actually doing is that instead of eight hours, they force workers to work for 12 hours a day. Due to technological advancement, and due to increase in productivity, we are thinking and talking about employment generation, but actually this process is reducing the employment. So these are some of the several aspects which, I think, the Finance Minister should pay attention to, so that in some areas, some

amount of resources can be mobilised from other sectors, from the high-end taxpayers. This is my proposal and my request to the Finance Minister so that -- we know pre-Budget and post-Budget things are there -- all these things should be considered, when additional burden is to be imposed on the people. Thank you.

DR. BIMAL JALAN (Nominated): Thank you, Mr. Deputy Chairman, for giving me an opportunity to speak today. Sir, I must start by sharing my anguish that the Opposition is not here. The same thing happened last time when the first Finance Bill was presented, if I recall it right. The whole idea of Parliament is supposed to be 'no taxation without representation' though half the House is not *here... (Interruptions)...* And this has happened twice. I am not privy to what has gone behind it. But what does strike me is the shrinking role of Parliament in what we are doing, where our State is heading and where our country is going. I can be quite truthful here because I am a non-party person. I have had the privilege of working with, at least, eight or nine different Governments, from time to time, including the NDA Government, the Congress Government and so on. What strikes me is that protest is good and protest is democratic. I can also understand walking out once in a while; I can also understand boycott once in a while, but I cannot understand what advantage, even from the Opposition point of view, do you get by boycotting the whole session? This is my anguish and I am saying it frankly, as a citizen, that a House which is only unipolar, as it were, is not serving its purpose, which the people expect of it. I am also struck by the diminution of the importance of Rajya Sabha, if I may say so. It is supposed to be the Upper House, but it should now be called the Lower House because the Opposition was there in Lok Sabha, but they are not here in Rajya Sabha. I know that Rajya Sabha's contribution to the Finance Bill is only proforma and perfunctory in the sense that it is already a done deal. Lok Sabha has passed it; Rajya Sabha can make some comment on it; but it does not really matter what we say or what we do. All said and done, since we are here, representing the Constitution or rather, at least, abiding by the Constitution, having sworn to uphold the Constitution, I thought I will start by sharing my anguish that twice in the last one year, we are seeing this state of affairs. I am not blaming anyone; I am simply saying. Maybe, if this side was there, they would have done the same thing. I don't know. But as a citizen, as a first time entrant to the Parliament, I am extremely anguished and I want to share with you and with the rest of the country that unless we remedy this state of affairs, you never know what will happen. If history is any guide, please don't take

democracy or Parliament for granted. We are only 57 years old. If you look at the American Revolution, the Civil War happened after 90 years. The American War of Independence took place in 1773 and the American Civil War took place in 1863. I am not saying this light-heartedly, but I am simply saying that we cannot simply take democracy for granted. We have been around for 57 years So, this is my first point.

Now, I will get back to the Finance Bill. We have had a lot of debate on the economy at the time of the Budget. I heard Mr. Deora. He made right points. So, on economy, I won't say very much. There is an old saying in tax literature that it is impossible to tax and please. So, if the Finance Minister has not pleased everybody, it is understandable. But that is not the point. I also have full sympathy with his desire to raise effective rates of tax to increase the tax ratio in our country. Taxes as a percentage of GDP is very low and deserves to be increased. I am now here looking forward because it is a done deal. It has been done. He has yielded to two unmentionables and so on and so forth. But what I would suggest today for his consideration is that at the end of the year, say, in January, he should take a review of whether what he wanted to be done through these two new taxes has actually been achieved. Because one important point that was made by Mr. Deora was that we have lowered the nominal rates, but increased something else in order to increase the effective rate. If we can have a straightforward route of increasing the effective rate, it would be much better rather than giving with one hand and taking from the other, however justified that particular thing may be. So, I accept whatever he has done, there has been a lot of debate that on both the unmentionables, he should review them. Last year, we have some new taxes; we have a new system of TDS; we have a new system of service tax; we have a new system of VAT. We have done a lot of simplification, but along with that, there are lot of new taxes. So, I would suggest to him, and this is completely with an open mind, that please, take a review. If you succeed in what you have said, it would do, please continue with it. But if we find that there are better means of doing it with lesser number of taxes, if we find that what we expected from it, has not actually happened because, there is always a response in terms of corporate behaviour or individual behaviour to any new instrument which is introduced, then let us not stand on prestige, let us not stand on that what we said was right, and therefore, I would carry on, but let us review it, and I wish him the best of luck. I hope that he will raise the effective rate of taxation in our country. I hope that he will succeed in what he has meant to do. But if we don't, and I hope that he

would agree to present a report in January to the Parliament, then I think, we should revisit this whole thing in the next Budget. And the similar thing I would talk about is that there is always -a trail already that he himself mentioned in the Lok Sabha that so many hundred crores, so many thousand crores were withdrawn, without any accountability. There is a trail. What is the additional trail that this tax is creating, is not clear. It must be creating something, I am sure. I am sorry, what I am saying essentially, is not taking a view on who is right or who is wrong, but simply saying that please, put the department on the job, and let us hope that we succeed. In January, if we find that this has not added to the kind of returns that we were expecting, to the kind of elasticity from taxation that we were expecting, then we must revisit them, without any ceremony, without generally feeling that this is something, and I must stick to it because, I said so, because there is nothing so ultimate truth in the area of taxation. Ultimately, the area of taxation is not worth, and let us support his endeavour, let us support him fully in simplifying taxes, and this is one point I would make because, a lot has been done in that area, as he himself has said in the Budget speech that in the area of tax simplification, tax rationalisation, we have made a fair amount of progress. But this progress has to be consolidated, in my view, with another further point, which is that, we have to trust the taxpayers more than you trust the tax inspectors, and therefore, I have made a suggestion to him at the stage of debate on the Budget that this new means, the tax information network, is an extremely potent means of knowing the average tax behaviour by occupation, by constituencies, by regions, and if we can use the tax information network to identify what the average tax behaviour is, then those citizens or those taxpayers who are performing much better than the average, have to be given incentives to continue to do so, and those who are below the average, have to be given the incentives to reach this average. If this can be done, if the scrutiny, if the whole system is geared to identifying those who are below average performance, rather than going after those who are above average performance in regard to taxes, this would be my suggestion for his consideration.

The final point that I want to make, and which will override all that we do on an Annual Budget exercise on expenditure and on taxes, is the whole question of fiscal empowerment. All that the Government wants to do, and despite all this, please take it that we can talk about private enterprise, we can talk about liberalization, we can talk about public-private collaboration, public-private partnership, we can talk about all kinds of new means of

doing it, but if you want poverty alleviation, then, public health, public services, public schools are the most important instruments for providing those services, and all these things lead to fiscal empowerment. So, what we need is fiscal empowerment. Today, what we have in our country, is fiscal deficit. But if we look around all the States, we find that the States have deficit, the States are borrowing, but the States do not have fiscal power to do what is necessary, that is, to open more schools, to do more things to make it more effective, which they do not have, and I think, this is the major problem. You have talked about the power crisis in Maharashtra. Maharashtra also has a problem. But we see that it does not have the means to resolve the power problem. You can look around and see for yourself that the high fiscal deficit, high revenue deficit, high overdrafts and high borrowings have not given the States or the Centre fiscal empowerment. The Centre has the opportunity to borrow from the Reserve Bank or it can borrow from outside or it can print money and all this, and in that sense, the Centre is more empowered than is the case with the States. But, what we need, is to work towards fiscal empowerment. That can only be done if we use better sense on how we spend our money, and not on how we collect our money. So, both sides of the question have to be looked after. But, ultimately, a test is to be done as to whether we are able to deliver the public services in three-fourth areas of our country, which are outside the urban areas, and whether we are able to do what we say we are doing in poverty alleviation. Generally, this is what you have talked about, and all that, but we need to move on that area first. And that is ultimately the test of the budgetary processes in our country.

With these few words, Mr. Deputy Chairman, Sir, I thank you once again, and I congratulate the, Finance Minister for having presented a Budget which, on the whole, is a very positive one.

SHRI RAVULA CHANDRA SEKAR REDDY (Andhra Pradesh): Sir, the Finance Bill basically deals with the taxation in the country. Going by the Bill, I could grasp various taxation systems in our country, income tax, direct tax, indirect tax, service tax, customs duty, excise duty, banking cash transaction tax and Central sales tax. Apart from road tax and education cess, so many other taxes are there. In order to assess the tax revenues, and to help the taxpayers also, certain concessions are given here in the Bill. I would like to know from the hon. Minister as to how all the money collected from various taxes is spent, where it is going and to whom it is reaching. Sir I would like to remind, through you, the hon. Minister that we

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have some popular slogans in our country, right from *Garibi Hatao* to *Berozgari Hatao*, from *Jai Jawan*, *Jai Kisan* to the latest one, *Incredible India*, apart from *India Shining* of the NDA. Sir, the common people in our villages expect that the Governments both at the Centre and in the States should come forward and help them in earning their livelihood. And in this Budget and the Finance Bill, when compared with the past Budgets, most of the money that is spent in urban areas is incurred on the infrastructure development and communication technologies. But more than 70 per cent of our people live in rural India. Sir, even after 55 years of independence, we are unable to provide the basic infrastructure to the rural masses. I would like to draw the attention of the hon. Finance Minister towards our priorities. Out of the money collected from various taxes, a much bigger amount should be spent on irrigation, education, health, power and employment. Sir, we have all misplaced priorities. I am clear about my statement that the priorities, right from 1952 onwards, have been wrongly set. Once we verify the priorities of various Governments--I have the figures of the Planning Commission--and if we start from 1961-66, we will find that 12.7 per cent was allocated for agriculture. Thereafter, it had gone down to 6.1 per cent in 1980-85; 5.9 per cent in 1991-92, and 4.7 per cent in 1995-96. It was 4.4 per cent in 2001-02, and it is 2.8 per cent in the Budget Estimates for 2004-05. Sir, the money collected from various taxes must be spent, basically, on productive aspects. Nowadays, the people living in rural India think that the Government is neglecting agriculture and is forcing them to commit suicide. Sir, take the case of Karnataka and Andhra Pradesh. More than 2,600 people belonging to the farming community have committed suicides. Sir, I read a news item in a newspaper where the present General Secretary of the CPI (M) went on record saying and I quote:

"The class character of Congress and the performance of the UPA Government, which pursues policies of liberalisation, are bound to impact the livelihood and living conditions of the people. On the ground, people can't experience any change. The agrarian distress continues".

Sir, I would like to draw the attention of the hon. Finance Minister to the reasons why people are forced to commit suicide. Is it not because of the misplaced priorities? We are not spending on agriculture. Take the case of rural development. The allocation is very meagre for it. During 1980-85, it was 5.5 per cent. It was being reduced slowly. It had come

down to 5 per cent in 2000-01 and, in 2004-05, it had come down to 4.3 per cent. Both on rural development and agriculture, the investments are coming down. The taxpayers' money is being spent in some other fields.

I would like to request the hon. Minister to enlighten us on the food stocks available with the Government. In answer to my Unstarred Question No.3909, the hon. Minister of Consumer Affairs, Food and Public Distribution has stated that the available stock of rice with the Government of India is 133 lakh metric tons, whereas the buffer norm is 122 lakh metric tons. The available stock of wheat is 40.66 lakh metric tons, whereas the buffer norm is 40 lakh metric tons. The total stock available is 174 lakh metric tons, whereas the buffer norm is 162 lakh metric tons. When stocks are available, when foodgrains are plenty in our godowns, why are there starvation deaths? Why are the people in distress? I would like to request the hon. Minister to address this problem urgently.

In the health sector also, the allocation is coming down year after year. I have the figures. But I don't have enough time. I have only seven minutes. I would like to request the hon. Minister to allocate more funds, out of the taxes collected, to the farming community and to simplify the procedure of the National Crop Insurance Scheme. Easy credit facilities should also be provided to the farming community.

I heard the statement of a Member of the other House on a Calling Attention, where he had stated that the NPAs were to the tune of Rs.96,084 crores. I would like to request the hon. Minister to concentrate on these NPAs and help the poor people who are in distress and who live in rural India.

The allocation to micro-irrigation and the irrigation sector is very meagre. The people in urban areas are also facing problems. A lot of migration is taking place to the urban areas. People from rural areas are going to the urban areas in search of livelihood. We are not in a position to provide them work. The Government should concentrate on providing them employment in the rural areas. I have some information regarding the job seekers. In West-Bengal, on a particular day, 67 lakh people are seeking jobs; in Tamil Nadu, 50 lakh people are seeking jobs; in Maharashtra, 43 lakh people are seeking jobs and, in Kerala, 36 lakh people are seeking jobs. These are the statistics from the Government sources. I would request the hon. Minister to look into the misplaced priorities.



There are problems of the weaver community, educated unemployed and rural poor, apart from the problems of children. There are many Departments in the Government. There is absolute lack of coordination among them. The money sanctioned by the Government does not reach the lowest level. There should be a good mechanism to monitor and see that the allocations reach the common man and the needy people. As regards the latest tax system of VAT, this VAT has been introduced during the present financial year, but we have not enlightened the people about this new tax system. There have been a lot of agitations. In Andhra Pradesh alone, the Chemists and the Druggists' Association went on a strike for ten days. In fact, the hon. High court had to intervene and pass an order directing the Government to engage military in selling the drugs to the needy. Why did this problem arise at all? Why did we not enlighten the people regarding the new tax system? I am aware that whenever a new legislation or a new system is brought in, there is bound to be resistance. People are often misinformed or there is lack of information. Sir, I would like to request the hon. Minister to see to it that the people are enlightened on this -aspect, so that there will not be any misgiving and there will not be any trouble. Sir, during this period of strike, many patients died in Andhra Pradesh alone. I do not know why these chemists and druggists were not informed properly. If they will not be affected by virtue of this new system, why did they go on strike?

SHRI. P. CHIDAMBARAM: They did not go on strike in any other State.

SHRI RAVULA CHANDRA SEKAR REDDY: The Government of Andhra Pradesh was a mute spectator to the whole agitation. Ten days passed by, and the High Court had to intervene in the matter. I would like to request the hon. Minister to enlighten people who are really affected, like stakeholders and other people.

Coming to social justice, the allocations are very meagre, and people who are actually agitating in the rural areas are from the weaker sections of the society. The Dalits, backward classes and tribals are not given adequate funds, and not many schemes are available to them. I would request the hon. Minister to throw some light over the programmes for the weaker sections. And, there is a demand from the weaker sections that the allocations should be more, in proportion to their population. That is not being done. Sir, when the Budget is announced, these poor people think that they would be given more allocations, that more schemes would be

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announced for them and that there would be a brighter future for them. But, all these years, they have been deprived of their basic needs and they have been denied their rights. I would request the hon. Minister to have a thorough review of all the programmes pertaining to the rural India, weaker sections and the farming community. There are a lot of disparities when it comes to them. Sir, going by the Planning Commission Reports, the poverty in the rural areas is still on the higher side. Illiteracy rate is all the more alarming there. And discrimination in the matter of girl children is also creating problems in many States Sir, the money collected at the Central level should be spent on these fields. For this simple reason, I said that it is a misplaced priority. I would like to request the hon. Minister to address these issues. There is a saying that we are creating islands of prosperity in the ocean of poverty.

I would request the hon. Minister to have a study on the rural labour. In the morning, during the Question Hour, there was some discussion on it. Sir, the Government has not done any study regarding rural labour. I request the Government to spend money on this aspect also. Allocation is one aspect, and spending them judiciously is most important. Even though this is not the General Budget and it is only the Finance Bill and I am aware of the limitations in the Finance Bill, I would like the hon. Minister to create a separate fund for market intervention at the national level. I am raising this point here since I did not get an opportunity during the Budget speech. I request him to create a special fund at the national level for market intervention. I do not know about the Employment Guarantee Bill. I heard that you were saying in the other House that the Bill was with the Chairman of the Standing Committee. Sir, your National Common Minimum Programme says, "The UPA Government will immediately enact a National Employment Guarantee law". Already, one year has gone by. I do not understand the meaning of 'immediately'.

SHRI P. CHIDAMBARAM: The National Common Minimum Programme does not override parliamentary rules. We have introduced the Bill. The Bill has gone to the Standing Committee. The Committee has to report back to the House. And we have offered in the other House that if the Committee reports, we are willing to sit for an extra couple of days to pass the Bill. So, the NCMP cannot override the rules of Parliament.

SHRI RAVULA CHANDRA SEKAR REDDY: Sir, I agree. When the Bill was referred to the Standing Committee...

SHRI DIPANKAR MUKHERJEE (West Bengal): Just a minute, Sir. I think, on this Bill also, we will require your supplementary power, because this is with a Committee which is headed by the major opposition party and they are not holding a meeting of the Standing Committee because of this parliamentary boycott. I would request you to kindly use your influence, if you have any, to see that the Standing Committee Chairman... *...(Interruptions)...* Ne. There is nothing to laugh about. *...(Interruptions)...* I am asking for the influence of his good offices! They can get them to have a meeting. *...(Interruptions)...*

SHRI RAVULA CHANDRA SEKAR REDDY: Sir, even earlier also, we were not with them. We were never a part of the NDA. We were extending only outside support. Even today, we stand by that. We were extending outside support, based on issues like CPI(M) and so on. *...(Interruptions)...*

SHRI A. VIJAYARAGHAVAN (Kerala): No. We are supporting the Common Minimum Programme of the ruling party, unlike you.

SHRI RAVULA CHANDRA SEKAR REDDY: Sir, we are not enjoying the privileges of a ruling party and the prestige of an opposition party. *...(Interruptions)...* Sir, I reiterate that we never enjoyed the privileges of the Government and we never enjoyed the prestige of the Opposition also. *...(Interruptions)...* No. We never enjoyed the power.

AN HON. MEMBER: You enjoyed it for nine years.

SHRI RAVULA CHANDRA SEKAR REDDY: We were extending support from outside. Sir, I am told that the said Bill was referred to the Standing Committee only two months back. What happened in the ten months? Are you not duty-bound to explain those ten months? Your NCMP says that you are going to bring the Bill immediately. You are interested in many other things. For those things, you are issuing Ordinances and all those things. But for employment guarantee, you do not find time to enact a law.

SHRI P. CHIDAMBARAM: I have explained.

SHRI RAVULA CHANDRA SEKAR REDDY: Sir, you have not heard me.

SHRI P. CHIDAMBARAM: I have heard you.

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SHRI RAVULA CHANDRA SEKAR REDDY: Two months back, you sent the Bill to the Standing Committee. What happened to those ten months? Are you not duty-bound to explain those ten months?

SHRI JAIRAM RAMESH (Andhra Pradesh): Factually, it is not correct. The Bill went to the Standing Committee in the first week of January. Officially, it was introduced in December. It went in the first week of January, factually. What the Standing Committee has done is for your partners to see. You should push the Standing Committee to actually meet. But, it went to the Standing Committee in the first week of January.

SHRI RAVULA CHANDRA SEKAR REDDY: Sir, as far as my party is concerned, we are interested in the legislation. We want that it should be enacted. ...*(Interruptions)*... And when I heard the hon. Minister saying this in the other House -- I was sitting in the Central Hall -- I tried to enquire with the concerned people as to why there was this delay and when such a good legislation was coming and, in the meantime, what the attitude of the Government was. You have created a programme called the National Food-for-Work Programme, confining it to 150 districts. And, in Andhra Pradesh, you have selected eight districts; during the NDA regime, it was given to 23 districts. They were implementing it in whole of the Andhra Pradesh. They had given 55 lakh metric tonnes. Does it not go to the credit of the NDA? You are failing in your responsibilities. While you are making allegations against them, you are not discharging your responsibility. How far have you discharged your responsibilities? You have confined it to eight districts. The hon. Prime Minister came all the way to Hyderabad. Whereas, it was implemented in all the 23 districts during the NDA regime... ...*(Interruptions)*... You go on saying that you have already completed one year, and that you are left with only four years; that too depends on God ! ...*(Interruptions)*... My friend here says, "Not on God! It depends on CPI(M)". ...*(Interruptions)*... Sir, for paucity of time, I am not mentioning CPI(M)'s recent resolutions. They said that they were also not having any illusions about the Congress. They are aware of your attitude. They are aware of your anti-people policies. ...*(Interruptions)*....

SHRI V. NARAYANASAMY: Then, you join the CPM.

SHRI RAVULA CHANDRA SEKAR REDDY: I need not join the CPM. I need not join the BJP. I will not join the Congress. But, still, I am aware... *(Interruptions)*...

SHRI V. NARAYANASAMY: No. We will not welcome you in the Congress.

SHRI RAVULA CHANDRA SEKAR REDDY: I will not bother you in that respect. In their latest resolution they have said that they have no illusions about the Congress and they are aware of the anti-people policies of the Congress Party. Sir, I have gone through all these things. I would like to request the Government that, instead of concentrating on colourful books, it should concentrate on contents also. ...*(Interruptions)*... Sir, you were saying that the entire Opposition is not there. The entire Opposition is not there but, still, we are here. If the entire time is given to my party, there will be many other Members to speak.

MR. DEPUTY CHAIRMAN: I have given you sufficient time. Please conclude.

SHRI RAVULA CHANDRA SEKAR REDDY: You are always very generous towards my party, Sir. I am thankful to you. Once again, I reiterate my demand that I made to the hon. Finance Minister, earlier. Sir, he is efficient. He has presented many Budgets. I request him to see to it that a special fund should be created for market intervention. This is very important. People are throwing their produce on the streets, and burning them in market yards. There is a lack of buyers and there is a lack of minimum support price. So, I request you, Sir, to create a special fund at the national level, to simplify the National Agricultural Insurance Scheme, to expedite the - process of the Employment Guarantee Bill and, in the meantime, to come out with a proposal for extending the National Food-for-Work programme to the entire country, more particularly, to States like Andhra Pradesh, Karnataka and Tamil Nadu. Extend this programme to the entire country, since stocks are available with the Government, going by the reply of the hon. Minister for Consumer Affairs.

Sir, while concluding, I would like to request the hon. Minister to enlighten me on the Ordinance that has been promulgated with regard to the ITC. When was it issued? Why has it been withdrawn? What has been the amount collected during the period of the Ordinance? What made the Government to withdraw it? What made the government to negotiate outside the court? Is it not to nullify the effect of the Supreme Court order? Kindly enlighten me on these things.

SHRI SANTOSH BAGRODIA (Rajasthan): Sir, I rise to support the Finance Bill, 2005. Sir, overall, I compliment the hon. Finance Minister for reasonably progressive economic policies. Your allocations for different schemes and programmes are on lines of the Common Minimum Programme. Sir, I also welcome the relief given last week on different tax proposals. Before I talk about some of the allocations, I must say that some of your tax proposals, even after the changes made last week, are either impractical, or, continue to evoke adverse media and business comments, because without much increase in the revenue, it will affect the efficiency of the economy to a great extent. Big issues like GDP, tax-GDP ratios, fiscal deficit, revenue deficit, etc. were dealt with by some of the previous speakers who were very intelligent and informative. My other colleagues speaking after me will also be dealing with them. I will be dealing only with the problems of the common man, the problems at the grassroots. Sir, I will touch only grassroot points affecting the small-business people and the people in the villages. Sir, the Budget is a firm step to realise the resolve of Bharat Nirman. The Budget reaches out to the sectors which for long remained dormant in the larger economic scene. It intends to ignite these engines of growth. With expansion of irrigation to additional one crore hectares in the next five years, agriculture and food-processing are going to be major job generators. Textiles, construction and IT sectors are identified as having enormous employment potential. For increasing the personal income-tax limits and simplifying the slabs, I compliment the Finance Minister. I compliment him for giving relief in income-tax to women and the elderly citizens. Sir, as far as the Withdrawal Tax is concerned, I will not talk about it right now.

Sir, good allocations have been made for different items, which I just run through. These are: The National Rural Employment Guarantee Scheme; the National Rural Health Mission, Work on six AIIMS-like institutions. The *Antyodaya Anna* Yojana is being expanded to 2.5 crore families who are living below the poverty line. However, in view of recent reports of misuse and pilferage, stringent monitoring of this scheme has to be ensured. Then, there is the Rajiv Gandhi Drinking Water Mission; the Total Sanitation Campaign - because in the country, we still have 40 per cent people who have no sanitation; the Rural Infrastructure Development Fund; and the Bharat Nirman Plan to be achieved by 2009. Then, there is the National Horticulture Mission. I compliment the Finance Minister for acknowledging the difficulties faced by the plantation sector and taking the decision to firm up the price stabilisation fund to rejuvenate the plantation sector.

Sir, the Government must give greater incentives for providing investments in agro-marketing and food-processing as allied sectors. A national project to renovate and restore the water bodies has been launched. These are the good things. There are many more good things, which I am not mentioning here. The Finance Minister knows about them. I have complimented him enough. So, I must tell him something which he needs to consider on the taxation side.

Sir, one of the most important taxation proposals which is hurting the industry is man-made fibre. Sir, the Government has reduced the duty on cotton to zero per cent. I have no objection to it. I welcome that. But, I would like to tell the hon. Finance Minister, through you, Sir, that man-made fibre is the real fibre for the poor man. It is not the cotton anymore. Cotton is very expensive. Sir, you, me and those who wear khadi know how expensive cotton is and how difficult it is to maintain it. The poorest man in the country today does not wear cotton. He wears mixed fibre products or simple man-made fibre, blended fabrics. Sir, this anomaly is only on man-made fibre. No other product in the country is having it. I would also like to inform the hon. Minister that if he thinks that by keeping tax on man-made fibre higher, it will help the cotton growers or it will help the cotton mills, it is not really true. Because all these man-made fibre units are going to divert to cotton. As a result, there will be over-production of cotton yarn and there will be glut in the cotton yarn market. So, this aspect may kindly be looked into. Sir, there are more than 200 units with more than five million spindles all over the country. So, it will be affecting the entire country. Out of this, more than 40 per cent units are only in the State of Rajasthan and 20 per cent are in the State of Gujarat. So, I am really concerned about it because my State will be very badly affected, if some changes are not made in this regard. Sir, five lakh workers directly and one million workers indirectly will be affected just because of this anomaly. Sir, the hon. Minister has got a textile export target of 50 billion dollars by 2010, as against the present figure of 10 billion dollars. I cannot just understand. If manmade fibre industry is not helped, or if they reduce their production, how would you reach this target? Most of the manmade fibre industry people have reduced their production already, or, they are going to reduce it further by 30-40 per cent. Not only this, they are deferring their expansion plans also. So, this target of textile exports of 50 billion dollars by 2010 will be impossible to be achieved.

[5 May, 2005]

RAJYA SABHA

Sir, there is a saying in Hindi, मियां बीबी राजी तो क्या करेगा काज़ी “ If husband and wife are agreeable, why should Mullah or Pandit come into the picture? If the producer of the fibre says, "If you reduce the duty, or even if you do not reduce on my raw material, I have no objection", then why not do it? Earlier the better. ...(*Interruptions*)...

Girishji, I request you to speak when your turn comes up, if you do not mind. Or, I will sit down if he permits. Then I will reply to you. Whatever I am saying, I stand by it. Whatever I am saying, I have the proof. I have a definite information and based on that I am speaking. If you want, I would explain to you later on, outside the Parliament too.

Sir, there are some people who have taken the exemption route. But I can say that not a single spinning unit in Rajasthan or Gujarat has taken this exemption route because they are the genuine business people. They are exporters also. So, they cannot take the exemption route. They have to bear with this and it will be impossible to bear this kind of extra cost on their production. It is for this reason that I would most respectfully request the hon. Minister, through you, Sir, to please reconsider it in the interest of the entire industry of manmade fibres and spinners. This spun yarn goes to small, small weavers. In Rajasthan, I can tell you, there are thousands and thousands of weavers who have got four weaving looms, four powerlooms. They manufacture cloth. Then it goes to the other processes. There are thousands of small producers of cloth also. They will all be affected.

The next point on which I have to say is—I should say it has been very harsh—on the withdrawal tax. He has already improved upon it. I thank him. I would not like to deal with this subject with a lot of details. I would only say that in the villages, Sir, even if you mention that the tax is on Rs.25,000 that too for the current account—forget about how much revenue will come into the kitty of the Government—it is perceived wrongly. The important thing is, what is the perception. An ordinary villager, a farmer, would go to the bank and he draws Rs. 25,000 and the bank would keep Rs.25. I do not know what the tax is, whether Rs.250 or 25. The farmer would think that this money is being stolen by the Bank Manager. He would never think that this is being taken over by the Finance Minister of the country. It would be really a bad perception. The collection would be very little. The whole purpose of trailing the black money—I do not think it would happen. Since it is already there, we would abide by his decision. But at the



end of the year, please review it, please reconsider it if you think it has not met the purpose for which it has been implemented.

AN HON. MEMBER: He can consider it earlier also.

SHRI SANTOSH BAGRODIA: Of course, that is always in his hands. But please monitor it every month or once in two months. See if it really serves any purpose or whether we are getting only a bad name. You will be surprised, Mr. Deputy Chairman, Sir, that there are taxes with retrospective effect. It has been brought to our notice by the Indian Plasticizers Manufacturers Association. Sir, Notification No.90/2002-Customs dated the 5<sup>th</sup> September, 2002 imposed provisional Anti-dumping Duty on certain types of acyclic alcohols up to 4<sup>th</sup> March, 2003. On the expiry of the Notification on 4<sup>th</sup> March, 2003, there was no Anti-dumping Duty on acyclic alcohols imported from Brazil, Malaysia, Romania and South Africa. However, the final duties were notified on 1<sup>st</sup> October, 2003 which were made effective from the aforesaid dated vide Notification No.143/2003-Customs. All this has been done by the NDA Government.

(THE VICE-CHAIRMAN (SHRIMATI SARLA MAHESWARI) In The Chair]

But our Government is suffering because now our hon. Finance Minister has to face the brunt of this problem. The anomaly lies in effecting the duty during the period of 5<sup>th</sup> March 2003 to 30<sup>th</sup> September, 2003, when the previous Notification of Provisional Anti-dumping duties had lapsed and new final Notification had not been issued. I demand of the Finance Minister, through you, Madam, that this anomaly must be corrected as retrospective imposition of duty will impact SSI sector. The infirmity on the part of the Government must not cost the SSI entrepreneurs. On what grounds can the Government justify levying the duty from March 2003 to September 2003? You will be surprised there is a similar case which is 20 years old and it is regarding the Excise Duty on vanaspati and edible oil during 1984 to 1990. In a case of 1984, when Excise Duty was levied on vanaspati and edible oil, the Supreme Court had stated the technical infirmity in only mentioning any item in the tariff. The court had desired that in addition to mentioning the item in tariff, there should be a chapter note also. The court required that the Government should lay down the guidelines to make levy effective. The Government retained the duty by making the chapter note from retrospective effect. It means that what happened 20 years back, the Government wants to have duty on it now. If it is not paid now, these units will be completely close. I request that this anomaly is

rectified. During the pendency of the court's decision, did the manufacturer at all levy the Excise Duty? That has to be seen as the issue was still ambiguous and was to be decided by the court. If not, then, what should he pay? If yes, what was the validity of such a levy? All these things will have to be considered because if this lacuna continues, this unit will be closed. When I discussed this with your officers, they said, "If we do not do it, we will have to refund to those from whom we have charged." For your convenience, for the convenience of the Department, we cannot make the innocent small industries to suffer. I will request you to please look into it. If you want, I will give you more information. The benefit of this omission should go to the whistle-blower instead of penalising him by imposing the duty with retrospective effect.

Sir, while coming to the fringe benefit tax, I submit that I will present it in a short form because you have said that this will make only a difference of 1.5 per cent. Better you consider it. ...*(Interruptions)*...

SHRI JIBON ROY: It is for the workers. ...*(Interruptions)*...

SHRI SANTOSH BAGRODIA: A pilot is also a worker nowadays. Do you know that? He is the highest paid employee in the country. He is also a worker. If this tax is going to make only a difference of 1.5 per cent, better, you consider enhancing the Income-tax to that extent, instead of imposing another tax. Even the cost of levying of this tax will be higher than the revenue earned from the fringe benefit tax. The realisation cost of this tax will be higher both for the Government and companies. It will be difficult for the companies to compute the details of fringe benefits like telephone calls and hotel bills. Such taxes will only increase the paper work in the companies. On the one hand, the Prime Minister has recently formed a Committee to promote trade and economic linkages. It is recognition that trade and international economic linkages are vital and on the other hand you are taxing companies for undertaking business tours abroad. This Government must go out of typical *zamindari* mindset when *zamindars* and *talukdars* were held responsible for collecting taxes for the East India Company. Now companies are made to work like *zamindars* collecting the revenue on every conceivable item for the Government of India. The liberal economy assumes, Madam, I am quoting from the editorial of *The Times of India*, 4<sup>th</sup> May, 'The liberal economy assumes that Government shall be one of the players in the market and it will be subject to the same rules of market. There are already questions being raised in media whether Government will pay the taxes for giving fringe benefits to its employees or

even the Finance Minister himself undertaking foreign tours." Madam, if this fringe benefit tax is levied on the MPs, on the bureaucrats, I think, then, the clear picture will become much better. I would also quote what *The Indian Express* editorial says, "In this case, the amount of tax is small, and the revenue it will generate will not be large. It is not clear that the cost it imposes on productivity will be outweighed by the benefit to the exchequer." Further, it says, "It may sound reasonable to give concessions to pharma and IT, the principle of giving concessions to one industry or another gives the State arbitrary powers. It works on the principles that the bureaucrats in the Ministry of Finance know what is good and what is bad for the economy. This model has been tried before and has failed in India. Moreover, once concessions are given to some industries, it means that they can be given for others, if others can prove their case to the Ministry. Tomorrow, it will be the turn of other sectors to lobby for tax concessions." Again *The Hindustan Times* says on another editorial and I quote, "The Fringe Benefit Tax (FBT) and the Cash Transaction Tax (CTT) were such a said surprise. That is why the Finance Minister's decision to retain FBT is even sadder and more puzzling. It horribly complicates tax enforcement. Take two examples of what companies will have to think of while filing separate FBT returns. The revised FBT excludes conference participation fees from the tax net but not other conference related expenses. This doesn't make too much sense. Plus, it means a lot of attention on minutiae. It also means revenue officials can, and almost certainly will, raise even finer points. The amended FBT also keeps out advertising expenditure. But what about publicity? How will the taxman define the two? How should companies categorise them?" Finally, "This is a tax, after all, that strangely defines non-taxable employee welfare expenses as only those incurred on statutory obligations, work hazard minimisation and first-aid care in company-owned medical facilities. This is, therefore, not a tax worthy of an increasingly dynamic private sector, adopting global standards in human resources management. This is, most of all, not a tax worthy of a good Budget." Madam, I have to now talk a little about my SSI industrial brothers all over the country. These are situated all over the country, in the villages. Just now, my predecessor, the hon. Member from the TDP mentioned about NPAs in the rural areas. I would like to inform the hon. Minister, through you, Madam that NPAs in the rural areas is much lesser. In fact, in rural areas, which are covered by KVIC, the recovery rate is 98 per cent. Where is the question of NPAs? The rate of recovery is 98 per cent. One of the reasons why there is even a little percentage of

increase in NPAs is this. The SSI units receive payments after more than a period of 90 days. The SSI units have no control on this because the large units do not pay, including the PSUs. The moment the payment is delayed beyond 90 days -- the bank finance is limited to 90 days -- they become NPAs. When we approach the officers in his Ministry they say that there is some WTO problem which I don't understand. Why the WTO create problems for our country that we cannot increase the period to 180 days? I don't know if the hon. Finance Minister, who is very smart and intelligent, can find a way out to circumvent even the international systems and make it to 180 days. If we do that, I can tell you that these NPAs of SSI would be reduced to a great extent.

Another glaring issue to which I want to draw the attention of the hon. Finance Minister is this. On the one hand we are talking about the NPAs. But the credit flow to the SSI sector, in terms of percentage of net bank credit, has come down since NDA assumed the charge of the Union Government in 1998. In 1998, it was 17.5 per cent; in 1999, it was 17.3 per cent; in 2000, it was 15.6 per cent; in 2001, it was 14.2 per cent; in 2002, it was 12.2 per cent; in 2003, it was 11.1 per cent, in 2004, it came down to 10.4 per cent; and, in 2005, I am sure, it will come down to 9 per cent. That means the total credit to SSI, in terms of net bank credit, is coming down by 50 per cent from 1998. So, I request the hon. Finance Minister to do something. Otherwise, all these units and the people employed will all come down to towns and then you and I will have problems to live in towns. So, if you want them to remain there, do something and see that the credit flow, which is coming down every year, starts going up in the years to come, especially during the present Finance Minister's time. At least, in the next five years, it should come back to 15 per cent, if not more.

**उपसभाध्यक्ष ( श्रीमती सरला माहेश्वरी ) :** अभी आपने कहा कि 9 परसेंट हो जाएगा 2005 में, आपने स्वयं कहा और अभी आप कह रहे हैं कि बढ़ जाएगा।

**श्री संतोष बागड़ोदिया :** नहीं मैंने कहा कि he should do something so that it is increased .

**उपसभाध्यक्ष ( श्रीमती सरला माहेश्वरी ) :** वही तो मैं रही हूँ लेकिन पहले से तो यह घट गया है, चलिए बोलिए।

**श्री संतोष बागड़ोदिया :** हां, पहले से तो यह घट रहा है, इसलिए तो मैं अटेंशन ड्राँ कर रहा हूँ।

उपसभाध्यक्ष ( श्रीमती सरला माहेश्वरी ) : हां , इसलिए इनको पता ही है ।

SHRI MURLI DEORA: Madam is a businesswoman. She knows it very well.

THE VICE-CHAIRMAN (SHRIMATI SARLA MAHESHWARI): I am not a businesswoman at all.

श्री संतोष बागड़ोदिया : इनको सब मालूम है ।

उपसभाध्यक्ष ( श्रीमती सरला माहेश्वरी ) : मुझे मालूम है । बागड़ोदिया जी , बोलिए ।

SHRI SANTOSH BAGRODIA: Madam, the number of SSI units, which were given loan by the banks, was 29.64 lakh in 1998. It was reduced to 26.24 in 1999. It further reduced to 22.72 lakhs in 2000. In 2001, this figure remains more or less the same. In 2002, it came down to 22.23. In 2003, it came down to 16.95 lakh and, in 2004, the figure came down to 16 lakh units. What I am trying to say is the bankers might say that the overall allocation of funds have gone up. It is not the overall funds, but it is a question of percentage of the loan in totality. Are you increasing or decreasing? In view of this, I request the hon. Minister of Finance that something drastic has to be done. The RBI has to monitor banks very thoroughly. Banks have got some self-goals which they never achieve. The result is, finally, the SSI sector is affected, employment is affected in the rural areas and the small manufacturers suffer. Madam, the last point that I want to mention about the industrial sector is that the Government has an equity support of Rs. 14,040 crore and a loan of Rs. 3,554 crore to Central public sector enterprises, including Railways. The hon. Minister has allocated. That's good. But I would also like to draw your attention to the fact that the shortage of wagons, faced by the Railways, is not only causing delays in carrying goods for exports from the hinterland, but are also not able to cater to the needs of SSIs and ARIs that are located mostly in smaller towns, thereby killing such enterprises. So, the hon. Minister can insist upon the Railways that the wagon shortage should be, if not completely eliminated, reduced to zero. There are various ways of funding manufacture of wagons because there is plenty of capacity in the country.

Furthermore, the budget of the Department of Heavy Industries is littered with meagre and miniscule allocations. For example, the Hindustan Photo Film, the Bharat Yantra Nigam Ltd., the Hindustan Cable Ltd., all together ten companies, have been allocated merely rupees one lakh, that

too as a Plan expenditure. One wonders how can this miniscule fund be used in planned development of these companies?

Launch of the Manufacturing Competitiveness Programme to help small and medium enterprises will improve the competitiveness of the capital goods industry as well. I would like the Finance Minister to give us the details of this programme, and how it would help the small-scale industries.

The amount of Rs. 435 crore provided for the Technology Upgradation Programme in the textile sector is most welcome.

Our PSEs are suffering due to outdated technologies. They were established to pioneer development of industrial technology. In a time when Indian companies are making a mark in global and regional markets, our PSEs are fast losing their market share due to obsolete technology. It would help, if similar funds are provided for the upgradation of capital goods companies, if the country were to become a hub in high-tech engineering goods. I would also demand adequate policy measures to enjoin FDI with technology transfer to the capital goods sector.

The custom duty on the capital goods sector has been reduced from 15 per cent to 10 per cent, and to 5 per cent in some cases. I will favour such steps if it facilitates transfer of new technologies to India. Would such duty relaxations enhance such prospects in capital goods manufacturing sector in the country?

Hundred ITIs have been identified for upgradation in 15 States/ Union Territories. I welcome this. *(Time-bell)* Madam, thrust to rural electrification will provide benefit to the electrical industry.

**उपसभाध्यक्ष ( श्रीमती सरला माहेश्वरी ) :** बागड़ोदिया जी, आप समाप्त कीजिए ।

**SHRI SANTOSH BAGRODIA:** Madam, I have nearly finished. At the fag end of my speech, I would like to request the hon. Minister to please be a little more generous and considerate. I know you need funds. But you can take funds from any source; I have no objection. But where it affects the smallest man; where it affects the rural industry; where it affects, directly or indirectly, the small units, please be more considerate to them. With these words, I conclude, Madam.

**श्री मंगनी लाल मंडल ( बिहार ) :** महोदया , सभी माननीय सदस्यों ने अपने दृष्टिकोण के आधार पर यहां विचार रखे हैं । श्री मुरली सीताराम देवरा जी जब अपनी बात कह रहे थे , तो वे बहुत सहमे हुए थे । उनको किसी साथी ने हिदायत दी थी कि बजट पर नहीं बोलना है , वित्त

विधेयक पर बोलना हैं। वे कह रहे थे कि वित्त विधेयक पर बोलेंगे तो वित्त विधेयक तो बजट को लेकर ही है। महोदया, यह बात सही है कि बजट सरकार का एक संकल्प होता है कि हमको कैसे विकास करना है? यह दृष्टि होती है और इसी दृष्टि को, इसी संकल्प को मूर्त रूप देने के लिए जो आर्थिक व्यवस्था करनी होती है, उसके लिए वित्त विधेयक है। हम बजट प्रस्ताव करेंगे, कर कहां से लाएंगे, इसलिए वित्त विधेयक पर राय रखने का मतलब है, बजट पर राय रखनी ही होगी।

लेकिन मुरली देवरा जी बहुत साहसी आदमी हैं, उन्होंने बजट पर अपनी बातें कहीं हैं और वित्त मंत्री जी की प्रशंसा की है, जो करनी भी चाहिए। महोदया, मैं अपनी बात कहने से पहले कर प्रस्ताव या वित्त विधेयक पर दो बातों का उल्लेख करना चाहूंगा। सरकार का संकल्प है गरीबी दूर करे, सरकार का यह भी दृष्टिकोण है कि देश में जो आधारभूत संरचना है, जिस पर विकास आधारित होता है, इस बुनियादी ढांचे को मजबूत किया जाए। बजट में इसका प्रोविजन किया गया है, सर्व शिक्षा अभियान पर भी जोर दिया गया है। लेकिन दो बातें बहुत महत्वपूर्ण हैं कि देश में 65 प्रतिशत लोग ही साक्षर हैं, इसमें से ऐसे लोग भी हैं जो सिर्फ दस्तख्त कर सकते हैं। तथा इसके विपरीत 35 प्रतिशत निरक्षर हैं। देश में एडल्ट एजुकेशन, अनौपचारिक शिक्षा, सर्व शिक्षा अभियान और कई तरह के कार्यक्रम चलते रहे हैं। इन कार्यक्रमों में एकरूपता नहीं रहती है। एकरूपता नहीं रहने के कारण जो वांछित परिणाम आना चाहिए, वह परिणाम लक्ष्य के आधार पर नहीं आता है। इसका नतीजा यह है कि सन् 1947 के बाद से अभी तक एक साल में एक प्रतिशत के हिसाब से ही लोगों को हम साक्षर कर पाते हैं। इसलिए हम सरकार से, माननीय वित्त मंत्री से आग्रह करेंगे कि सारे लोगों को साक्षर बनाने के लिए कोई समेकित कार्यक्रम, समयबद्ध तरीके से चलाया जाना चाहिए, तभी इसका कोई परिणाम निकलेगा।

दूसरी बात यह है कि गरीबी रेखा से नीचे रहने वाले लोगों की संख्या बाइस प्रतिशत है। यद्यपि यह विश्वसनीय नहीं है। यह विश्वसनीय नहीं है, फिर भी मान लेते हैं कि बाइस प्रतिशत है। इस देश में एक अरब, पांच करोड़ लोग हैं, इसमें से बाइस प्रतिशत लोग मोटे तौर पर पर मान लेते हैं कि गरीबी रेखा से नीचे हैं। हमारे लिए पांच बुनियादी चीजें हैं, जिसकी आवश्यकता होती है। इनमें रोटी, कपड़ा, मकान, शिक्षा और चिकित्सा है। इन पांच बुनियादी चीजों से जो मरहूम हैं, वे गरीबी रेखा से नीचे हैं। इनके जीवन स्तर उठाने के लिए कई तरह के कार्यक्रम चल रहे हैं। आई.आर.डी.पी से लेकर स्वर्ण जयंती ग्रामीण स्वरोजगार कार्यक्रम तक कई कार्यक्रम हैं, लेकिन जो अपेक्षित परिणाम निकलना चाहिए था, वह परिणाम नहीं निकला है। कार्यान्वयन की समीक्षा होती है, लेकिन जो परिणाम नहीं निकला है, उसकी समीक्षा नहीं होने से प्रतिकूल प्रभाव पड़ता है। सरकार बदलती है, सरकार तो कंटीन्यूअस प्रोसेस है, सरकार बदलती है, कार्यक्रम बदलता है, लेकिन इसका परिणाम नहीं निकलता है। इसके लिए मैं माननीय मंत्री जी से कहूंगा कि संबंधित विभाग से, आगे जब बजट हो, बजट को मूर्त रूप देने के लिए कोई कर प्रस्ताव हो, तो इस पर विचार करना चाहिए कि इन दोनों चीजों पर हम कैसे जल्दी से जल्दी सफलता पाएंगे और कैसे गरीबी रेखा से नीचे रहने वाले लोगों को ऊपर उठाएंगे। महोदया, मैं माननीय वित्त मंत्री जी को धन्यवाद देना चाहता हूँ, सभी लोगों ने उनकी तारीफ की हैं, मैं भी उनका प्रशंसक हूँ, मैं भी उनकी तारीफ करता हूँ कि वे एक योग्य वित्त मंत्री हैं। 1997 के बाद कर सुधार प्रणाली लागू नहीं की गई थी। वित्त मंत्री ने अपने बजट भाषण में स्वयं कहा था कि केलकर सीमित की रिपोर्ट को सरकार ने अंगीकार कर लिया, स्वीकार कर

लिया और उनकी अनुशंसाओं को सरकार लागू कर रही है। प्रथम चरण में सरकार ने लागू कर दिया है। यह जो कर प्रणाली हैं, उसका सरलीकरण किया गया है। यह अच्छी बात है कि कर प्रणाली का सरलीकरण किया गया है। कर लगाना एक बात है। सरकार ने अपने वित्त विधेयक में, माननीय वित्त मंत्री जी ने अपने वित्त विधेयक में कई संशोधन किए हैं। कुछ में घटाया है, कुछ में बढ़ाया है। कर प्रणाली एक बात है, लेकिन दूसरी बात यह है कि जो कर लगाया जाता है, जो लक्ष्य रखा जाता है, उसका संग्रह करना होता है। मुझे याद है कि बारहवें वित्त आयोग की रिपोर्ट आ गई है, लेकिन बारहवें वित्त आयोग की रिपोर्ट जब सरकार ने अंगीकार की थी, लागू की थी तो 1993-94 में बड़ा हा-हाकार मचा था कि जब राज्य सरकारों को ग्यारहवें वित्त आयोग की अनुशंसा के रूप में जो पैसा दिया जाना चाहिए था, वह पैसा इसलिए नहीं दिया गया कि सरकार का जो टारगेट था, सरकार का जो लक्ष्य था, वित्त विधेयक के माध्यम से सरकार ने कर उगाही, कर संग्रह नहीं किया। इसलिए इसका नतीजा यह होता है कि जब हर साल बजट पेश होता है तो एस्टीमेट होता है। उसका आकलन होता है, अनुमान होता है, उसे रिवाइज किया जाता है। रिवाइज इसलिए किया जाता है, क्योंकि वसूला नहीं गया, उगाही नहीं की गई। इसलिए हम माननीय वित्त मंत्री से अनुरोध करना चाहेंगे, उन्हें सुझाव देना चाहेंगे कि आपने केलकर समिति की अनुशंसा के आलोक में कर प्रणाली लागू की यह अच्छी बात है। लेकिन कितनी तिमाही वसूली हुई, इसके लिए भी संशय विभाग में और सरकार में होता है। जिन व्यक्तियों की ओर, से जिस विभाग से कर-संग्रह में कमी आती है, ऐसे व्यक्तियों को सरकार **accountable** और **responsible** ठहराए, इसके लिए भी सरकार को सख्त कदम उठाने चाहिए।

महोदया, महिलाओं के लिए और बुजुर्गों के लिए सरकार ने बड़ी रियायत दी है। श्री मुरली सीताराम देवरा जी ने बैंक में बचत खातों की चर्चा की और बताया कि करेंट एकाउंट यानी चालू खाते में सरकार ने विद्वद्गल टैक्स की योजना को लागू किया है। अभी जो हमारे माननीय वित्त मंत्री जी हैं, वे देवगौड़ा जी की सरकार में भी वित्त मंत्री थे। स्टैंडिंग कमेटी ऑन फाइनेंस ने इस बारे में अपनी चिंता ज़ाहिर की है। काले धन को निकालने के लिए स्वैच्छिक योजना लागू की गई थी। ठीक है, काला धन निकला लेकिन जिन लोगों ने काला धन निकाला और डिस्कलोज किया, उन लोगों ने अभी तक रिटर्न दाखिल नहीं की है। इस पर स्टैंडिंग कमेटी ऑन फाइनेंस ने जो रिपोर्ट दी है, उसमें उन्होंने अपनी चिंता ज़ाहिर की है। बैंक में करेंट एकाउंट से विद्वद्गल पर जो आपने टैक्स लगाया है, वह अच्छी बात है, मैं उसके खिलाफ नहीं हूँ लेकिन उससे काला धन निकेलगा, इसमें हमको संदेह है। काला धन इससे नहीं निकल सकता है। दूसरी बात यह है कि जो 8 साल पुराना आय-कर का ढांचा था, आपने उसकी 3 स्लैब्स में संशोधन किया है और वित्त मंत्री जी ने अपने बजट के भाषणा में कहा है कि जो कर ढांचे में सुधार किया गया है, इससे देश में निवेश को बढ़ावा मिलेगा और इससे आर्थिक विकास सुनिश्चित होगा।

महोदया, आधारभूत संरचना पर सरकार ने जोर दिया है और जो आधारभूत ईस्ट-वेस्ट कॉरीडोर सड़क है और नॉर्थ-ईस्ट कॉरीडोर सड़क है, इस पर काम शिथिल हो गया था। चाहे किसी की भी सरकार हो, यह काम होना चाहिए। देश के विकास के लिए ये सड़क बहुत महत्वपूर्ण हैं। देश के आर्थिक ढांचे के लिए, बुनियादी ढांचे के लिए ये सड़कें बहुत महत्वपूर्ण हैं। इस काम में शिथिलता आई है।



**4.00 P.M.**

महोदया, बजट प्रपोजल में पैसे की उगाही की जो बात की गई है, उस पर सरकार को जोर देना चाहिए और मैं इसके लिए माननीय वित्त मंत्री जी से अनुरोध करता हूँ स्टैंडिंग कमेटी ऑन फाइनेंस ने अपना रिकमंडेशन दिया है कि रियायतों के प्रावधानों का जो दुरुप्रयोग हो रहा है, उसे रोका जाए, विशेषकर निजी अस्पतालों, नर्सिंग होम, चैरिटेबल ट्रस्ट तथा जो बड़े-बड़े फार्म हाऊसेज हैं, इनके द्वारा रियायता का दुरुप्रयोग किया जाता है, कानून बनाकर इसको रोका जाना चाहिए। दूसरा आय कर से मुक्त संस्थाओं के लिए आय कर रिटर्न दाखिल करना अनिवार्य बनाया जाए। इससे जो उनको मुक्त किया गया है, इसकी आड़ में कर-चोरी होती है। इन शब्दों के साथ मैं अपनी बात समाप्त करता हूँ। धन्यवाद।

SHRI ASHWANI KUMAR (Punjab): Madam, I rise to support the Finance Bill, 2005, presented by the Finance Minister. Madam, before I dwell upon the specifics of my intervention, I would like to spell out what I consider to be the measure by which the Bill is to be tested. Madam, in my reading of the Bill, it seeks to achieve the twin objectives of putting the fiscal administration of the country into a straighter jacket, and it seeks, at the same time, to ensure a much enlarged tax base and also an equitable distribution of the tax burden. It also seeks, in my understanding of the Bill, to meet the challenge of unaccounted wealth, which by some accounts is a parallel economy in this country, and is not being put to productive uses and thereby is a great threat to the overarching public and national interest.

I think, Madam, the Bill seeks to do yet another social obligation. It seeks to ensure a simpler tax administration, a credible tax bracket structure and, overall, a discernible transparency in the administration of the taxation regime. I think, viewed in this perspective, the Finance Minister was called upon to make certain choices. Now, it cannot be anybody's case that all the choices are always perfect, and that the other view is not a possible view to take. I do believe that there is another perspective which has been expressed by some of my esteemed colleagues. Two views are possible. But in the overall intent, I can scarcely find a flaw with the underlining philosophical basis of the Bill. It is a fact that unaccounted wealth is routed through the banking system. There can be no two views about it. It is a fact, and two cases have been pointed out in debates in the Lok Sabha that within less than two months, Rs. 110 crores were deposited in a single bank account in cash and about Rs. 38 crores were withdrawn in cash from that bank account. There are any number of such instances. We know that the banking system in this country has been abused and misused. Therefore, it was necessary to have some kind of a

monitoring regime for monitoring cash transactions, and, therefore, the Finance Minister, in his wisdom, has come up with what he calls 'the banking cash transaction tax'. Now, it may well be that as the regime unfolds itself, it may or may not serve its purpose in full. But I think we need to give to the Finance Minister the benefit of doubt. His intellectual integrity, his ability to master the intricacies of finance are well known. But, I would, particularly, like to compliment him this time, this time, I emphasise, for his humility in accepting a very wide-ranging view that the threshold limits for the amounts to be taxed, must be increased, and, he has, in my view, rightly increased those limits from Rs. 10,000 to Rs. 25,000 for individuals and HUF and to Rs. 1,00,000 for the others. I think, it would serve the dual purpose of monitoring cash transactions and yet avoiding oppression to those who needn't be subjected to that kind of scrutiny. So, I think, he has harmonised two competing equities, and needs to be credited for doing it as well as he thought, he could. Madam, I must also, while I am on this subject, speak about the need to monitor the Hawala transactions. I think, one of the arguments behind this tax is that it is impossible otherwise to keep track of the Hawala transactions; if there are transactions that are discernible in the banking system, and if you tax them at 0.1 per cent, somewhere the trail will lead to the operators of the Hawala; and, therefore, to that extent, the overarching promises of the tax cannot be found fault with. There is yet another benefit that I understand will be available to the country by this tax, and this is really about the data-base that would be available through the tracking mechanism for future use. I think, Madam, for all these reasons, on a fundamental basis, this tax cannot be found fault with and now that it has been rationalised, now that he has increased the threshold limit for scrutiny, I think, the twin purposes and the twin equities on either side of the debate would have been- satisfied. I would also like to say that the ultimate proof of a pudding lies in its eating. If you were to see what you have done in the last one year since the first proposals were announced, I would only like to say this, Madam, that by increasing the overall tax exemption limit for purposes of direct taxation to Rs. one lakh, I think he has further simplified the tax administration. What the Finance Minister has actually done is to adopt a tax savings route as against a tax rebate route. The virtue in this appears to be that instead of having to manoeuvre through the plethora of very complicated tax-saving devices, which leads to more paperwork, more books of account, more corruption in the tax administration, he has given you an option to save a particular amount, whichever way you want, because 'it is not my job to tell

you how you do your savings best; consult your experts, Chartered Accountants and professionals, do it in a manner which gives you the greatest comfort and be through with it."

I think no other way could have been a better way. We have, for long, been clamouring for a simpler tax regime, for simpler tax administration. This is a positive step ahead. I am not very sure whether it would yield all the desired results. I am' certainly not sure whether we would be able to track the black money in its entirety, in its full dimension. I do not think that even the Finance Minister pretends that he would be able to do that. But to the extent that this is a move in the right direction, to the extent that it charts a course for an economy on the lines that are more rational, more manageable, more simple to administer, it is, undoubtedly, a progressive step, for which the Finance Minister deserves credit.

I think, the ultimate measure of his initiative is the fact that over the last year, we have seen a remarkable increase in the tax collections. From the figures that I have, on the direct taxation side, we have registered an increase of 26.3 per cent from that of the last year. That is no mean achievement. There has also been an argument that in any prudent fiscal regime, the tax-GDP ratio must be such, which is sustainable. I am told on this authority of the figures from official records that on the direct taxation side, the tax-GDP ratio increased last year, from 3.8 per cent, in 2003-04, to 4.27 per cent this year. That shows that we are moving in the right direction. That shows that the initiatives taken by the Finance Minister are showing results.

Madam, I must also put the question that in the eventual analysis, do these measures appear to be consistent with our aim to become the third largest economy by 2025? We are told, again on the strength of very renowned economists, international, as well as our own, that by 2025, India has the potential of becoming the third largest economy after US and China, and by 2047, we are told, we have the potential of optimising our per capita income from 3000 dollars to 30,000 dollars. Now, these may be achievable, or, may not be achievable. But the fact is that these are projections of our \* potential made by renowned international economists who have nothing to do with our domestic politics. I think that the Finance Minister has taken some bold measures, and eventually - I am sure he would be around for many years -- he would be called to account if he fails to deliver. But I think he must be given the benefit of doubt.

I wanted to speak very briefly on the fringe benefit tax. On the fringe benefit tax, it presupposes, is a presumptive tax; it is a surrogate tax on the employer. Now, this is again a choice that we have made. Instead of taxing certain benefits in somebody else's hands, we are now taxing them in the employer's hands. Now, the argument is that here is a time, a moment, when we need to give the ease of functioning to our corporates. Why saddle them with more paperwork? Why add to their taxation liability by one or 1.5 per cent? Now, the counter argument, which seems to have run through the papers of the Finance Minister and through his proposals is, that if I have brought down the taxation structure by 10 per cent, it should not have meant that they have to pay one or 1.5 per cent more. I think that principle is also unacceptable. What I find difficult here, Mr. Finance Minister, is that it would definitely add to more paperwork. It would definitely add to more complications in corporate taxation.

I would implore you to sit with your tax experts and taxation administration officials and consider that the negatives of this kind of scrutiny -- the maintenance of books; what would be the expenditure, what would constitute, for example, advertising; what would not constitute something that is exempted -- again, leaves a far greater latitude of discretions, which experience tells us, leads to corruption.

So, if you do not want your otherwise laudable initiatives to flounder please, ensure that the simplicity in the administration of the tax regime is not compromised. I think we will have to have a lot of very able, very honest, income-tax administrators. If you can find a few, I think you would have done a good job.

With these words, Madam, I thank you for giving me this opportunity.

SHRI MANOJ BHATTACHARYA (West Bengal): Thank you, Madam. I will be very brief because I know, for certain, the role of this House so far as the Money Bill is concerned, even though it is quite possible, on my part, to talk extensively on this sort of subject. But the situation is not conducive enough. I will try to confine myself to the Finance Bill which has been presented to us. Since it is necessarily a taxation Bill, I would like to ask the hon. Minister about the Starred Question raised by some hon. Members in this House on 18<sup>th</sup> April. If I remember correctly, the House could not run on that day because of the peculiar attitude of the opposition friends of ours, but the reply was given in writing. The reply was that there is a

staggering amount of NPAs even today. It is to the tune of more than, if I remember correctly, Rs.2,47,000 crores, and out of these NPAs of Rs.2,47,000 crores, some sick and small scale sectors were holding hardly 1/5<sup>th</sup> part, and the majority of the part was being held by the corporate houses. He also named some five or six corporate houses, if I remember correctly. This is subject to correction, of course. The first name was Malvika Steel. Madam, Malvika Steel is owned by Anil Rai and Vinay Rai, if I know it correctly, who - pretended to open some steel industry in Jagdishpur in Amethi constituency, and they are holding a maximum amount of NPAs from banks, that is, to the tune of one thousand thirty-seven crores and fifty-nine lakh rupees. They are also the promoters of Rai University. They have squandered it -- I do not know whether I should use the word 'squander' -- and put some thousands of students in a quandary. Thousands of guardians are in anguish. Personally, I have received so many phone calls and so many prayers from so many guardians that their sons and daughters, who were in the Rai University, are in a quandary because of the Supreme Court directives and all these things. I had the privilege of looking at the book written by Vinay Rai. At the back of the book, very good words have been written by some of the political leaders. I am not going to name them.

SHRI JAIRAM RAMESH: If the hon. Member is insinuating that there is a relationship between the high level of NPAs of the Rai industrial family and its location in Jagdishpur, I think, it is nothing to do with it. The fact that there is a NPA is because of the mismanagement. It has nothing to do with the fact that the steel plant was chosen to be located by this particular entrepreneur in Amethi district. So, I don't think that this remark is in order.

SHRI MANOJ BHATTACHARYA: Madam, my friend, Shri Jairam Ramesh, has altogether misunderstood me. I have not tried to relate Jagdishpur; I mentioned it just for identification.....(*Interruptions*).....

THE VICE-CHAIRMAN (SHRIMATI SARLA MAHESHWARI): He was simply mentioning a fact.

SHRI MANOJ BHATTACHARYA: Madam, I also said 'subject to correction'. I am not also very sure because I do not keep much track of industrialists, particularly industrialists of dubious nature. I don't call them 'industrialists'; they are 'promoters'. But these promoters - when he has intervened, I must say - are very well connected at the political

level. Otherwise, they cannot dare, for such a long time, holding our NPAs of 1037 crores and 59 lakhs of rupees. And, not only that, these were the scheduled banks! And, I am convinced that from IFCA, they have taken a loan of more than Rs.700 crores. Now, these lending agencies, the Government-owned lending agencies, are in the red because of these sort of NPA holders. So, Madam, I am sure that I have a very legitimate right to ask the hon. Finance Minister what exactly are the measures that he has taken. They are the traitors, in fact. They are the traitors of national cause. Now, what measures has the Government taken? This Government cannot be committed to hold the interests of the people of this country and also the interests of these NPA holders. Madam, I am more surprised; I am more constrained to say that some of the NPA holders are even Members of Parliament. I do not know their names. But, I am told, I understand that they are the Members of Parliament in both the Houses. I do not know whether they are the Members of this House or not, whether on this side or that side; I am not going to comment on that. But, this becomes the bounden duty on the part of the Finance Ministry to be extremely drastic against them. Why can't the Finance Ministry take some drastic action against them? I would like to ask the hon. Finance Minister what drastic steps have been taken. Now, I am sure, if he goes to the Court, the Court will take ten or fifteen years' time, and thereafter, the person will say or the group will say that they have become bankrupt and they can pay back a sum of Rs. 10 per month. And, thereby, in fifty or 75 years' time, they can pay back a portion of the NPA. That is not the solution. They should be tried expeditiously. They should be brought to book expeditiously. Which is this Mardia Chemicals? Which is this Daewoo Motors? Which is this Lloyd Steel? Lloyd Steel name has been referred to twice by the hon. Finance Minister. I am surprised that how one company can be named twice. But, in the reply on 18<sup>th</sup> April, he has named Lloyd Steel twice. I do not know what is the background of Lloyd Steel. Anil Rai, Vinay Rai, I could understand. But, I don't understand the significance of Lloyd Steel. So, I would implore upon the hon. Finance Minister that please let us know what is the exact roadmap for the best interests of this nation. There are NPAs. to the tune of 2 lakh and 47 thousand crore of rupees, and there are tax arrears, which should also be another 3 lakh crore of rupees, so that we can get some five lakh crore of rupees. Instead of taking stringent measures towards collection of dues and bringing these people to book and declaring their names, I feel that they might be given, or, I do not know whether they have been awarded *Padma Bhushan*, or they have been

conferred with some other tag. So, Madam, my first point is that the hon. Finance Minister, or the Finance Ministry, or this UPA Government, which is committed "by the NCMP, that they will be giving prime importance to the people's interest, that they will recover or they will take stringent measures against these NPA holders. I don't mind; I don't care whether they are MPs or they are important persons of some political parties. But, the matter is very serious. Now, I come to Finance Bill.

SHRI JAIRAM RAMESH: Is that not a part of the Finance Bill?

SHRI MANOJ BHATTACHARYA: No, no, this is also a part of the Finance Bill only. This is also related to the Finance Bill because it is a question of taxation. Unless these amounts are recovered, we don't know, where from we shall get the money. Madam, I am sure that you will agree with me, I am not against the fringe benefit tax. First of all, I must submit that I am not against fringe benefit tax provided administratively, it is possible. Personally, I doubt that administratively, it will not be possible because administration, as such, is so poor that they could not recover the NPA for over a period of years. For several years, they could not recover the NPA. And, regarding this fringe benefit tax, there is a peculiar situation. It will not be possible for the Government to catch the corporates on the fringe benefits. But, in this country of ours, we certainly appreciate that social security measures are very poor. Perhaps, it is one of the poorest among the developing countries. I would not like to compare our country with, what do we call, the Advanced Developed Countries (ADCs). But, here, I find that even in the fringe benefit tax, in 115WB, the hon. Finance Minister is trying to tax any contribution from the employer, an approved superannuation fund, to the employees. I would seek your kind clarification on this. Superannuation scheme is, of course, a social security measure. Now, the employers are not interested in giving out or sharing any money with the employees just for nothing. Now, if you tax the contribution by the employers towards the superannuation fund, then they will play with the superannuation, and, finally the employees will be the victims.

Madam, even this applies to the LTCs and the LTAs. I must submit that personally I do not believe that the globalisation or the liberalisation of the present incarnation will sustain; it cannot sustain. This International Express" - however Jai Ram Ramesh shouts -- cannot sustain. However, even in this globalised form of economy, a person living in Tezpur might be posted in Bombay. Now, at least, once in a year,

when he goes to his home-town by availing the LTC, if that is taxed, it will be a very difficult situation for the ordinary employees. I am not talking about the wage-islanders. I am not talking about them.

Madam, now I come to another interesting, not interesting but I would say agonising issue. It is once again a question of social security measures, the health and the health hazards. Particularly in the chemical industry, the multinational corporations are coming in a good way to India. I must say that their India is the manufacturing sector, in chemicals and pharmaceutical sector. Now, in the chemicals and pharmaceuticals sector, hazardous jobs are involved. I just give you an example. You must be aware of the name 'sorbitrate'. Sorbitrate is isosorbide dinitrate. The workers who produce sorbitrate, in the process of production, in the process of handling the raw materials, get severe headache, they get nausea. Most of them start vomiting after six, seven hours. So, in the olden days, the companies were forced to pay some hazardous allowance. Now, if this hazardous allowance is taxed, then the companies will conveniently push the workers aside and say 'nothing doing', since the Finance Minister of India, the UPA Government of India is not interested in this hazardous allowance, so, we are withdrawing this hazardous allowance. So, once again, the poor workers will be unnecessarily exposed.

Secondly, in the health sector, for looking after the health of the poor workers, if some incentive is not given to the workers, or, if some Incentive is not given to the employers, the companies, then, they will be conveniently withdrawing\* those commitments of theirs, those social obligations of theirs by which the poor workers were somehow surviving.

So, Madam, I shall implore the hon. Finance Minister that please think twice before impounding taxes on these as fringe benefit taxes. These are my two points. Madam, please don't ring the bell. I am just concluding.

Madam, I also want to ask about the fringe benefit tax in the case of journalists. The journalists have to go a long way, they have to travel a lot and spend money for collecting news. Now, if you do not exclude them from these fringe benefit taxes, they will be put in very serious difficulty and we shall not get the news. The scribes will write news about Tsunami sitting here in Delhi by stretching their imagination, by looking at some of the other sources, foreign sources. While looking at CNN, BBC, they will make the news, and, that news will not be the proper news. So, I shall



implore upon the hon. Finance Minister to think twice whether the scribes, journalists, the fourth estate, and what is described as the tongueless Fourth Estate, should be excluded from these fringe benefit taxes. They are spending amount for collecting the news, and what is absolutely incidental to their job or responsibility.

Madam, I just conclude by asking that in the rates of Income tax, what is the rationale of exempting Rs. 1,85,000 for the senior citizens. Why not Rs. 2 lakhs, at least? What is the greatness of this Rs. 1,85,000 and where from it came? I would request the hon. Finance Minister to make it Rs. 2 lakhs, if possible. Madam, I have to say another thing, which is very important. I was telling earlier that the liberalisation of the present form of incarnation, that is, international express cannot sustain. But a country like India must encourage the cooperative movement, particularly the primary cooperative movement. I am not talking about the central cooperatives; I am not talking about the banks of dubious nature. I am talking about the primary cooperatives. Now, unfortunately, I find - I don't know whether I am correct or not and whether it is a printing mistake or not -- in paragraph (b) of page number 58, disincentive has been provided for the primary cooperatives. In paragraph 'b', it is written that, in the case of every cooperative society, rates of income tax will be, where the total income does not exceed Rs. 10,000, 10 per cent of the total income; 10 per cent income tax for Rs. 10,000. Where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000, it will be Rs. 1000 plus 20 per cent. And, when the income exceeds Rs. 20,000, it will be Rs. 3,000 plus 30 per cent. Now, by this, the primary cooperatives, say, the fishermen cooperative, the cooperative of the handloom workers, the cooperative of the artisans, I mean to say the primary cooperatives, will absolutely be in a very serious situation. Madam, through you, I would like to implore upon the hon. Finance Minister to kindly look into this. This is not proper. For the cooperative movement, the Father of the Nation, Mahatma Gandhi fought for it; Rabindranath Tagore also fought for the cooperative movement. There are thousands of recommendations by great men where they say, in India, cooperative is the answer for the sustenance of the people of this country. And, unless the cooperatives are given more incentives--! am not talking about the Central cooperatives, I am not talking about the big cooperatives, cooperative banks, etc.; I am talking about the primary cooperatives-unless these are given incentives.... Instead of giving incentives, you have given disincentives; you have arranged disincentives for these cooperative funds.

Madam, my last point is this. I had a question on 26 of April to the hon. Finance Minister. Huge privatisation has taken place, even though we do not like it; we have never approved it, privatisation of health system has unfortunately taken place to the detriment of the interest of the common people. In the private hospitals, in the nursing homes, all of them have placed a board that it is a research institute. In Kolkata, let me just name, there is a Kothari Medical Research Institute (*Time-bell*). Yes, Madam, I am just concluding. There is a Kolkata Medical Research Institute; there is a Birla Heart Medical Research Institute. All these private hospitals, in the name of research institute, I doubt, are getting quite good exemptions from income tax. My friend, hon. Finance Minister, Mr. Chidambaram, has answered that under Section 35 of the Income Tax Act, 1961, a private hospital is eligible to claim deduction on account of expenditure incurred on medical research activity. Now, I just want to know what medical research they have taken up for all these years. Thousands of research institutes of diverse nature are there in the field. What amount of money are they getting as incentive for the medical research? What is more interesting, Madam, is that, the Income Tax Department does not maintain any data of deductions on account of claims by the taxpayers under the relevant provision of the Income Tax Act, that is, under Section 35. The Income Tax Department cannot maintain the data of this. My question was very specific. How much amount have you given as incentive to these big private hospitals where huge investment is coming, even FDI is also coming, multi-national corporations are also coming? What amount has been deducted? We are paying to these hospitals. The nation is paying to these hospitals double. Once, it is paying by way of deductions in income tax, under Section 35 of the Income Tax, and, at the same time, when I am admitted in a hospital, I am also paying them. I am fleeced, fleeced white. So, Madam, this is very important. Now, in his reply, or afterwards, let the hon. Minister kindly give us, and let us find out, some remedy. This is not possible, because these hospitals are simply on the rampage against the interest of the common people. So, Madam, with these words, I conclude. Thank you, very much for allowing me.

\_ SHRI JAIRAM RAMESH: Thank you, Madam, Vice-Chairman. Speaking last has its disadvantage, because, I know, the Minister is waiting to reply.

THE VICE-CHAIRMAN (SHRIMATI SARLA MAHESHWARI): No, no, how can you say that?

SHRI JAIRAM RAMESH: Madam, I had an occasion to speak on the Budget; I had an occasion to speak on the Appropriation Bill. Now, I am speaking on the Finance Bill. I will speak only on the Finance Bill. I will not repeat the points that I made on the Budget. Neither will I speak on the points that I made during the Appropriation Bill, because, at that time, the Finance Minister was not present. But, I am sure, he would have been briefed about some of the concerns that I have raised during that debate.

Madam, I stand with a great degree of agony. Frankly, having been a great admirer of the Finance Minister, his adviser at some point of time, and a colleague of his, a close and trusted colleague of his, I hope, I am in a bit of agony, because with all the knowledge at my command, I am simply unable to understand the logic and the rationale of the Cash Transaction Tax and the Fringe Benefit Tax. I do not want to repeat this because it is a fait accompli; the nation has to live with these two levies. Therefore, what I will do today is, I will raise some questions, which, I hope, the Finance Minister will respond to, not today perhaps, but as part of an ongoing public education campaign on the need for these two taxes. Madam, the Finance Minister and his team quite clearly know much more than us. They know best why these two levies have been imposed. I am sorry to say that a large majority of us are still in the dark; we are still waiting to be educated; we are still waiting to be enlightened. I am sure that with his formidable skills of communication, the Finance Minister will be able to answer many of these queries.

Madam, let me start with the Cash Transaction Tax. The Finance Minister prefaced the introduction of this tax in his Budget Speech by saying that the Common Minimum Programme enjoined upon him to unearth black money, to launch new schemes to unearth black money. Now, I understand, subsequently, the Finance Minister set up an Expert Group in the Ministry of Finance to come up with some ideas to unearth black money. I am not aware whether the Group submitted its report; I am not aware whether the report of this Group has been made public. If it had, presumably many of us would have seen it and had access to it. But the question that I have to the Finance Minister is that whether the Cash Transaction Tax is one of the recommendations of this Expert Group, an Internal Expert Group, that he had set up to come up with schemes to unearth black money. If it was indeed one of the recommendations, then I would imagine that this has some strong intellectual foundations within the tax administration.

Even under the current dispensation, according to a change that is introduced recently, any deposit and any withdrawal in excess of Rs.50,000 requires the disclosure of the Permanent Account Number. My second specific question to the Finance Minister is: Since he kept on choosing the word 'trail' in all the defences that he made of the Cash Transaction Tax, --and I have been trying to figure out for the last three months what is this 'trail' that he is talking about - what additional trail will he get, which he is not getting today from the Rs.50,000 dispensation that he already has? Any deposit and any withdrawal in excess of Rs.50,000 requires the disclosure of the Permanent Account Number. So, is this insufficient? And what is it that has led him to levy an additional impost in order to get no revenue? He has repeatedly said that this is not a revenue-raising measure. He has said that this is a trail-discovery measure. So what is this new information on the trail that he will get?

My third question goes back to the point made by Shri Santosh Bagrodia, who, unfortunately, is not here.

THE VICE-CHAIRMAN (SHRIMATI SARLA MAHESHWARI): He is very much here.

SHRI JAIRAM RAMESH: Sorry. I did not see you in your usual place. You have gone to a place where many of us gravitate towards the fag end of the session, I am sure.

(MR. DEPUTY CHAIRMAN in the Chair)

Sir, the point that he has made earlier is that in matters relating to banking transactions, we also deal with sentiments, and the sentiments that I have got wherever I have gone, whether it is to- cities or to mofussil towns is, यह जो टैक्स लग रहा है हमारे पैसे पर लग रहा है, यह क्यों लग रहा है? The communication of this impost, whatever the intention of the Finance Minister may be, and the public perception of this levy is, 'It is my money; it is my deposit; who are you to levy this?' Whatever it is, whether it is 0.1%. That is immaterial. The sentiments and the perception in the minds of the people is that this is a tax on your own' deposit and which you have already paid.. Now, Sir, the policy of successive Governments is to expand the banking habits. Sometime ago, I read that there are over 300 million bank account holders in our country. That means, one out of every three persons in India has some form of bank account or the other. Now, these figures are liable to correction, but it is a very large proportion who have access to the banks in the form of deposits. But the sentiment is

widespread that this is unfair and that this is a levy on an individual's deposit. Now, the Finance Minister and his team may have perfectly valid justification. But I am afraid, Sir, the justification has not percolated down, has not diffused among of the people. Ultimately, they will pay. The taxpayers will pay it because they have no option virtually...*(Interruptions)*... But I think the sentiment is very negative. I want to raise this because it is not as if the people of India do not want to pay higher taxes. Now, there is a great feeling that people don't want to pay taxes. The same Finance Minister introduced the primary education cess last year. There was not a whimper of protest, not one criticism, not one editorial, not one news item said that this was unfair. People are willingly paying the primary education cess. The previous Government and this Government has introduced a levy on petrol and diesel for funding the highway development programme. No editorial was against it; no opposition was against it; no protest was against it. People are willingly paying the education cess the highway cess. I must say, Sir, that the users of gutkha and tobacco are willingly paying the additional cess that the Finance Minister has imposed, in order to fund the National Rural Health Mission and other health-related programmes. So, it is not as if the people of India are not willing to pay more. They are willing to pay more whether by way of taxes or whether by way of cess. But on this particular cess that the Finance Minister has imposed, for reasons best known to him, I am afraid, Sir, the sentiment is very, very negative.

Sir, let me now turn to the fringe benefit tax. Sir, when I spoke on the Budget, I actually welcomed the introduction. It was a cautious welcome. I said that fringe benefit tax, this was in response to a comment made by a Member of the BJP who opened the debate, was not introduced in a fit of amnesia by the Finance Minister, but had very respectable intellectual credentials, in that, it was first recommended by the Chelliah Committee on Tax Reforms that had been set up by Dr. Manmohan Singh in 1991, and that really provides the intellectual edifice for the tax reforms that have taken place over the last decade and more. Dr. Chelliah perhaps is India's pre-eminent authority on public finance. But, Sir, in the last two or three months, talking to various businessmen, talking to various traders, talking to people across the country-end talking to the people in the tax administration, has led me to revise my opinion, has led me to believe that the fringe benefit tax also would have been welcomed had it not been introduced. The idea behind the fringe benefit tax - I don't think anybody is going to oppose it, but as previous speakers have pointed out - was that what is good in theory may not always be convenient in practice. The

fringe benefit tax is very good in theory. But, unfortunately, the manner in which it would be introduced, leads to grave doubts as to whether, in fact, we are not imposing an additional headache on the income-tax payer. Sir, the existing Income Tax Act already has section 37. This Section 37 actually disallows certain elements of expenditure. Now, the question that I have for the Finance Minister is: Wouldn't it have been a very neat measure to put up a list under Section 37, of all those items that he wants to disallow... instead of having a separate Act, separate levy, for which whether there will be a separate return prescribed, whether there will be a separate assessment procedure prescribed, the Finance Minister will have to take into consideration all these things? I know, Sir, you are nodding your head because, you are a chartered accountant yourself, and you have expressed to me privately your own concerns on the Fringe Benefit Tax. *...(Interruptions)...*

MR. DEPUTY CHAIRMAN: No, no. You cannot say like this. *...(Interruptions)...*

SHRI JAIRAM RAMESH: So, I withdraw it. *...(Interruptions)...* I withdrew it immediately. Sir, the question I have is, would it not have been neater, simpler, more direct, more convenient, to follow the section 37 route of the Income-tax Act? This is a time-tested route. For example, some years ago, expenditure on guest houses was not allowed. Now, under section 37, it is allowed, and if you look at the foot notes, the elaborate foot notes for section -37, there are various items of business expenditure that sometimes have been allowed, sometimes, have been disallowed. The question that I have is: What is it that led the Finance Minister to come up with a completely new tax, a new section in the Act, presumably, a new return itself, presumably, new set of assessment procedures, and add to the problems of a burdened taxpayer, and lead to far greater discretionary powers in the hands of tax administration when the objective of all successive Finance Ministers in the last decade was to make the tax administration simple, transparent, and non-discretionary? Sir, some people have said that the Fringe Benefit Tax take us back to an expenditure tax. This could be Lord Kaldor himself having come to India in 2005. Lord Kaldor, who came in 1955, and gave us the expenditure tax, which was introduced by the then Finance Minister, a very distinguished Finance Minister, Shri T.T. Krishnamachari, who then earned the nick name of TTK, Tax, Tax and Kill. There are people who have said that the Fringe Benefit Tax could well be a form of the expenditure tax. Is it- a form of the

expenditure tax, is a question that I would like to put to the hon. Finance Minister?

Sir, this Fringe Benefit Tax, as newspapers have pointed out in the last few days, as many Members have themselves pointed out today, is applicable to all companies and persons, irrespective of whether they are paying income tax or not. Now, the Finance Minister has announced some exemptions. Suddenly, he has announced some exemptions. But, take the point made by the hon. Member, Shri Manoj Bhattacharya. Is it or is it not a fact that contribution to superannuation scheme is going to be disallowed? Now, on the one hand, you are talking of pension reforms, and on the other hand, is it that according to the new dispensation, contribution of employers to superannuation schemes is not going to be a legitimate business expenditure? Now, these are questions that arise in the context of Fringe Benefit Tax, which I think, over the next few weeks, the Finance Minister will have to explain. There are some people who have also pointed out, and I have seen some calculations to this effect that since the Fringe Benefit Tax is levied at the rate of 30 per cent and a 10 per cent surcharge, over a period of time, the collections under the Fringe Benefit Tax could outstrip collections under the corporate tax. Now, this is the theoretical proposition today. But since income tax is on net income, and the Fringe Benefit Tax is on expenses, and expenses are always far greater than profit, a day could well come, 5 years from now, 6 years from now, when the collection under the Fringe Benefit Tax could be much more than the collection under the normal corporate tax itself. Now, Sir, because of all these reasons, as I said, I stood up in great agony because, I understand the predicament of the Finance Minister. But I do believe that the Finance Minister also owes it to us, and also owes it to the nation, to educate us more and prepare us better for these two new taxes that he has introduced in this Budget.

Finally, Sir, let me say that the introduction of these two new taxes convinces me now much more than at any other point of time, that the way we make Budgets in this country needs to be fundamentally changed. Budgets are made in great secrecy in this country. Finance Ministers come up with far-reaching proposals. They are precluded from a public debate because of secrecy considerations. They are introduced. Very often, they are amended; they are criticised. Finance Ministers are finding it difficult to resile from the positions that they have taken, and taxes, then, become part of history. Wouldn't it be better, Sir, if the Finance Ministers made public some of these far-reaching tax proposals four months in advance, five

months in advance, as it happens in the U.S., as it happens in the U.K. and as it happens in most advanced countries? Tax proposals are subject to intense legislative debate and, then, the Finance Minister introduces it as part of the Budget. If this is done, Sir, I don't think that we would have had the controversy that we had last year, of the security transaction tax. Every Finance Minister that I can recall, has had to face some controversy or the other over some tax proposals because these tax proposals are conceived in the greatest of secrecy, written in the greatest of secrecy, and, then, presented to the nation as a *fait accompli*, I think, this is a lesson we should learn, and I hope that next year when the Finance Minister is going to present his third consecutive Budget, it would be preceded by some public debate on some important tax measures for revenue mobilisation. Thank you, Sir.

MR. DEPUTY CHAIRMAN: Shri Jesudasu Seelam. You have only three minutes.

SHRI JESUDASU SEELAM (Andhra Pradesh): Mr. Deputy Chairman, Sir, I rise here to support the Bill, I do not want to repeat the points already covered by my distinguished colleagues. I just want to add only one or two points because of constraint of time.

Sir, I compliment the hon. Finance Minister for giving, in his Budget speech, thrust to the educational needs of the weaker sections. As I have been mentioning earlier, the amount earmarked for the empowerment of the weaker sections' is only 0.72 per cent of the total Plan Outlay. It is a token amount. If you look at the history of our administration, you will find that for the last 57 years, we have been spending money, but there is for a proper monitoring of the amounts spent on various schemes to bring about a perceptible change in the living standards of the majority of the under-privileged who are suffering because of historical deprivation, exclusion and denial of the benefits of development. Sir, the Finance Minister is leaving the House.

MR. DEPUTY CHAIRMAN: You can carry on.

SHRI JESUDASU SEELAM: Sir, I am bringing it to his knowledge. In 1996, when he was the Finance Minister, a delegation of around 150 Members of Parliament, belonging to the Scheduled Castes and STs met the then Prime Minister and gave him a memorandum about the Special Component Plan and the Tribal sub-Plan was a meagre amount. We have been saying that the Central Ministries should spend proportionate



funds, to the tune of 25 per cent, on the welfare of Scheduled Castes and Scheduled Tribes. These monies are not being spent in practice. The Central Ministries should earmark the funds under Special Component Plan and Tribal Sub-Plan, pool them and keep them at the disposal of an authority. When I say an authority, I don't mean a new authority, but a body of functionaries who are in the Government of India, like the Chairman of the Scheduled Castes and Scheduled Tribes Commission, and the Members of the Planning Commission and the Union Public Service Commission belonging to the weaker sections. They should form a small body of experts on the issues and problems of the underprivileged to guide the newly formed, Committee of Ministers on Dalit Affairs. Why I am saying this is that in his Budget Speech, the hon. Finance Minister has placed stress on giving impetus to higher education and he has introduced scholarships. What we require is mainly primary education and measures to cut down the dropouts. Whenever we talk of reservation facilities, we talk of merit. As I was bringing to the kind notice of the hon. Minister, merit is training and proper environment building.

Lastly, I would like to emphasise on need to pool all the Special Component Plan and Tribal Sub-Plan funds. You pool them at one place and prioritise the requirements like basic education, basic health and basic infrastructure facilities. We don't want this reservation to continue. Please separate the children from the families, put them into residential schools and provide a lot of money for basic education. There is a lack of proper investment in this sector. This is what we have been saying. Whatever money that has been allocated is also not spent properly. You pool the money, keep it at the disposal of an agency and ask that agency to plan, execute, monitor and take corrective measures. This has been the demand of the majority of the underprivileged. I think there should be reorientation and a re-look at what we have been conventionally doing. This is all what I would like to say. Thank you.

MR. DEPUTY CHAIRMAN: Mr. V. Narayanasamy. You have three minutes.

SHRI V. NARAYANASAMY: Sir, I will take only three minutes, not more than that. The hon. Finance Minister has allocated huge funds for rural development, especially, for the farming sector. In the last Budget he had allocated Rs.80.000 crores and in this Budget he has allocated Rs.1.08 lakh crores, especially, for providing loans to the farmers through the nationalised banks and cooperatives. The National Sample Survey on

indebtedness of the farming households mentions that in spite of the fact that so much of money has been allocated, Rs. 80,000 crores last year and Rs.1.08 lakh crores this year, in Assam, Andhra Pradesh" and Maharashtra, 40 per cent of the people are still depending on private moneylenders. This is one of the major reasons for farmers committing suicide. Though the situation has improved a little, it has not improved to the extent which we have expected, especially, the hon. Finance Minister has expected. We have also requested the hon. Finance Minister, on several occasions, in this House that there should be a monitoring mechanism at the bank level and at the zonal level to see whether the farm loans are being properly distributed by the banks to the farming community. The hon. Finance Minister said that he was personally going to supervise it and take stock of the situation. But that has not been done still. The farming community is not able to get the loans in spite of the guidelines issued by the Finance Ministry and the direct intervention of the hon. Finance Minister. Still it is not happening. The National Sample Survey, which is one of the best examples, says that the farmers are not getting the loans duly, though the money has been allocated by the Ministry. Therefore, I would like to know what the hon. Finance Minister is going to do in this regard.

Sir, the hon. Finance Minister announced in the last Budget speech that Rs.1,000 crores would be allocated for setting up a desalination plant at Chennai. In spite of this, the Tamil Nadu Government has not moved an inch in this matter...*(Interruptions)*...

SHRI DIPANKAR MUKHERJEE: Your friends are not here!

SHRI V. NARAYANASAMY: Whether they are there or not, I want to ask of the hon. Minister this aspect. Each day a statement is coming from the Tamil Nadu Government that the money has not been given by the Finance Minister for implementing the scheme. Sir, Chennai is starved of water and hence desalination plant is very much required there. The UPA Government and the hon. Finance Minister, having felt the need for it, allocated Rs.1,000 crores for this purpose because they found that it was absolutely necessary. Sir, my information is that the Tamil Nadu Government is very slow in processing and finalising the tenders. Earlier, one tender was called; but a Russian firm went to the Court, and it was stopped. Thereafter, another tender was floated, and I have come to know that they would take time up to July-August this year even to finalise the tender. Now, how can the Tamil Nadu Government expect the Government

of India to sanction the money when they do not even fulfil the conditions?... *(Interruptions)*...

SHRI RAVULA CHANDRA SEKAR REDDY: Now that the Members there are not present, who is going to answer this?

SHRI V. NARAYANASAMY: And the Tamil Nadu Government is blaming the Central Government for this. I want a clarification from the hon. Finance Minister in this regard because the people of Tamil Nadu want that this scheme should be implemented expeditiously. The Finance Minister also has given several statements in Tamil Nadu. But I want a clear clarification from the hon. Finance Minister in this regard.

Sir, then, several things have been said about VAT. Some State Governments are implementing it, but some of them are not implementing it. One State is Tamil Nadu in this category...

SHRI DIPANKAR MUKHERJEE: He is going on scoring without the goalkeeper.

SHRI V. NARAYANASAMY: If they are not there, what can I do?

Sir, VAT is a very good scheme. Shri Asim Das Gupta has been a pioneer in bringing this scheme in West Bengal. This scheme is going to help the States as it would generate revenue for them. Now what effort is the hon. Finance Minister taking to make all the States implement the VAT scheme so that it is implemented throughout the country? A uniform policy and a uniform price for manufactured products cannot had in the States unless and until VAT is implemented throughout the country, by all the States. Therefore, I want the hon. Finance Minister to give his clarifications on this point as well.

SHRI P. CHIDAMBARAM: Sir, I am deeply grateful to the House of Elders, although some of them who spoke cannot be characterised as elders, for the broad support they have given to the Budget earlier, the Appropriation Bills and, now, the Finance Bill. I expected to hear a lot of criticisms, and I am quite happy that much of these criticisms have come out-in the open, as this is a chance to clarify these matters.

Sir, Dr. Jalan said, 'It is not possible to tax and please.' Tax concessions, tax exemptions, are demanded by every section of the society. In fact, there is a plethora of tax exemptions. If you just look at the Income Tax Act, there is exemption for export profit, exemption for

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infrastructure, exemption for charity and exemption -for educational institutions. Then, there are exemptions for individuals under a number of Sections, tax rebates and exemptions in certain kinds of income; for example, interest income. It is to get through these major concessions, to simplify the tax structure and zero in, as one of the hon. Members, Shri Chittabrata Majumdar, has said, we have to collect tax from those who have the capacity to pay. The bulk of the revenues have to come from the people who have the capacity to pay. I was quite touched when some friends like Mr. Jairam Ramesh and Mr. Bagrodia spoke very feelingly about , the common man in the village. I assume Jairam travels through villages as extensively as I do. ...*(Interruptions)*... The point is, we have to keep a distinction between the real common man and the common man who is sometimes presented as the object of taxation and, then, the rich man who can pay. The per capita income of this country is Rs.30,000 a year.- On such a person, we do not levy any tax, except the indirect impact of certain indirect taxes. If he buys a pair of shoes, if he buys tooth paste, if he buys some other material on which there is excise duty, even that common man pays a little tax. But, otherwise, the Income-tax Act has no impact on such a common man. Nor are the taxes, which we are introducing, unusual taxes or taxes which affect the common man. I have 3000 villages in my constituency. I travel on an average about a thousand kilometres every month, on one or two visits. I may be going to the wrong villages; I do not know. Nobody in the villages has told me that he is concerned about withdrawing Rs.10,000 a day in cash. We talk about ten thousand rupees. Nobody adds the crucial words 'every single day'. It is not ten thousand rupees in a year. It is not ten thousand rupees in a month. It is ten thousand rupees in a day. How many people in this country can afford to withdraw ten thousand rupees in a day?

Nevertheless, responding to criticism of well-meaning friends like Mr. Bagrodia and Mr. Jairam and others, we have raised it to Rs.25,000 for a day for individuals in a year. Now, tell me; is there anyone who can seriously contend that if he withdraws Rs.25,000 in a single day by cash, he is so poor that he is affected by this tax?

SHRI SANTOSH BAGRODIA: Let me interrupt you, Sir, for a second.

SHRI P. CHIDAMBARAM: No. I have understood you. Please understand what I am saying. ...*(Interruptions)*...

SHRI SANTOSH BAGRODIA: Sir, it is not every day. You do not -withdraw every day. ...*(Interruptions)*...

SHRI P. CHIDAMBARAM: Can anyone say that if he withdraws Rs.25,000 in a day by cash, he is so poor that he cannot afford to pay the tax? Let him withdraw once a month. But is he such a poor man that he cannot pay this tax of point one? That is the point. He is not a poor man. He is, perhaps, somebody who has a requirement to draw in cash and we recognise the threshold and we have raised the threshold to Rs.25,000 in the case of an individual, and in the case of businesses, firms and companies, we have raised the threshold to one lakh of rupees. As I said, the object of this tax is not to raise the revenue. The object of this tax is to establish a tax trail. And I will explain how we are going to do it. I am confident that we will succeed. But who knows? I may fail. If I do fail, I will certainly keep the advice of Dr. Jalan in mind and the advice of my good friend, Jairam, in mind. We will reconsider it, if we fail. But I am confident that we will achieve the objective which we have set out to achieve. That is all that I can say for the present. ...*(Interruptions)*...

PROF. P. J. KURIAN (Kerala): It is tax on the money on which tax has already been paid. It is my money in the bank for which I have already paid the tax. You are again taxing that. That is the objection. The objection is on the principle. ...*(Interruptions)*... It is not on the **tax**. ...*(Interruptions)*...

SHRI P. CHIDAMBARAM : Sir, income-tax is paid. You deposit your money in the bank. You are going to buy something on which there is an Excise Duty, you pay Excise Duty. You import something, you pay Customs Duty and you pay Customs Duty. Does anyone argue that I have already paid income-tax on that amount, why are you charging Excise Duty? Why are you charging Customs Duty? It is a different tax. It is a different tax with a different purpose. Nobody is charging income-tax again. We are charging another tax. It is such a minute amount. The reason is, to establish a tax trail. ...*(Interruptions)*... This is the reason.

SHRI MANOJ BHATTACHARYA: Sir,...

MR. DEPUTY CHAIRMAN: No, no; that is over. He can't come back. ...*(Interruptions)*...

SHRI P. CHIDAMBARAM: Sir, last year, I introduced the Securities Transaction Tax. It was vehemently criticized in this House as well as in the other House. And I said, 'Please allow me to experiment with this tax. We will make some modifications at the final stage. But, the idea is to bring some discipline into the capital market, and bring everybody on to a record-based transaction system.' Now, please go to Mumbai, talk to the people in the Stock Exchange, talk to the people in the SEBI. They will tell you how the STT has brought considerable improvement in the discipline amongst stock brokers. Today, it is very difficult for a stock broker, I am not saying it is impossible, it is very difficult for a stock broker to engage in what earlier used to be goods transaction using multiple terminals, because there is a tax trail which has been established on every buy and every sell that he makes in the stock market. What I am trying to do with the help of my advisors, with the help of my officers is to put in place a system where a tax trail is established for large cash transactions. This is not going to be left in the hands of individual assessment officers. The whole information is being centralised. It will be monitored at a central place. Nobody is going to go after somebody if he is withdrawing Rs.25000 on a particular day. But, if I find, somebody, in some account has withdrawn crores of rupees or has deposited crores of rupees, surely, we intend to go after him and find out where this money is going.

Now, there was a Committee which was established to recommend measures on curbing black money. Mr. Jairam Ramesh asked me this question. One of the recommendations was, tax cash deposits. Now, we weighed the recommendation. Is it better to tax cash deposits or is it better to tax cash withdrawals? In my view and this is my considered view, between a person who is depositing money and leaving an account there and a person who is withdrawing money and that money disappears into a black hole, as I have got evidence, I think, the better way to establish a tax trail is to tax the person who is withdrawing money, not the person who is depositing money. The logic of the argument is the same, but the methods that are chosen to establish a tax trail is not to tax a deposit because that account money is there. But, you tax only the withdrawal because it is the withdrawn money which goes into a huge black hole in this country, which is called the black money economy. We are aiming to first bring some discipline into cash deposits and cash withdrawals; we are aiming to establish a tax trail and we are aiming to establish a trail by which we can trace where this money is going. It is going to support smuggling, it is going to support arm-smuggling, it is going to support property transactions, it is

going to support all kinds of illegitimate activities, we are trying to establish a tax trail. Please be assured, nobody who has made a genuine withdrawal of Rs.30,000 or Rs.35,000 or even Rs.50,000 and that withdrawal happens in the account once a month or once in two months, nobody is going to ask him any questions. You can be assured that this will be administered very carefully. And, if I find that there are any unexpected problems arise in administration, I will address those unexpected problems. If the objective is failed, of course, we will reconsider the tax. But, I am confident that we will achieve our objective substantially. Sir, according to me, tax has to be collected from those who can afford to pay. Now, corporates, of course, have a uniform tax rate of 30 per cent and corporates pay tax. If you look at the Budget, at a glance, you will find that the bulk of the tax revenue is coming from the corporate sector. Take for example, the Budget Estimates for the current year. Corporate tax is expected to increase from Rs.83,581 crores in the last year to Rs.1,10,573 crores, an increase of 32.29 per cent. So, I am projecting a larger tax collection from corporates.

Income tax is expected to be increased from Rs.48,321 crores in the last year to Rs.66,239 crores in the next year, an increase of 37.08 per cent. Here, again, the bulk of the tax will be paid by the larger tax payers. And when I say the bulk of the tax will come from the richer people, I say it on the basis of evidence. For example, up to Rs. 1 lakh, no body pays tax any more. The bulk of the income tax revenues come from the people in the bracket of Rs. 1,50,000 and above. Therefore, we are taxing only those who have the capacity to pay. We are not taxing the poor people. The moment you give a threshold exemption of Rs. 1 lakh, I think, by definition, the poor people of the country are out. The poor people of the country do not have an income of one lakh of rupees of taxable income. I think, it is wrong to say that we are hitting the poor people and we are not taxing the rich enough. I am not making a distinction between the rich and the super-rich. Perhaps, we should do it at some point of time, but at the moment, our effort is to tax those who have the capacity to pay having regard to the capacity to pay.

Once we moderated tax the tax rates of 10, 20 and 30 per cent in 1997, and once we have adjusted the tax brackets in 2005, I think, we have moderate tax rates, we have reasonable tax slabs and we are collecting tax from those who have the capacity to pay.

Sir, there were some questions. One is, did we collect tax arrears. Last year, I said, we will collect a tidy sum of which are tax arrears. Tax

arrears does not mean every demand that has been raised as an arrear. It is theoretically an arrear. But it is an appeal. There are stays, there are court orders. In 2003-04, total indirect tax arrears that we collected was Rs. 711 crores. In the first year of this Government, indirect tax arrears, that is, custom arrears and excise arrears, as against Rs. 711 crores, we collected Rs. 2,642 crores, the highest arrear collection in a year.

Take direct taxes, income tax and corporate tax. In 2003-04, the arrear collection was Rs. 5,540 crores. In 2004-05, arrears collection is Rs. 7,083 crores. Between indirect taxes and direct taxes, we have collected arrears last year, Rs. 9,725 crores, which is a record for any year so far. This year also, we intend to collect arrears, and believe me, we will achieve reasonable success in collection of arrears this year also.

Sir, let me deal, very quickly, with some individual points which were made. Mr. Bagrodia told that we make retrospective amendments. The only three retrospective amendments about which he has no complaint are listed in this memorandum explaining provisions of the Finance Bill at page 18, paragraph (k), items 1, 2 and 3; he had no complaints about that. Therefore, I do not wish to deal with that. He complained about an antidumping duty allegedly levied retrospectively. I have the full details and I will pass it on to him. This is not in the Finance Bill, this is not in the Budget. This is an exercise done by the Anti-Dumping Authority in the Ministry of Commerce. There is no retrospective levy there. There was a provisional duty and there is the final duty. When the final duty is levied, it has to be levied with effect from the date of the provisional duty. Therefore, it appears retrospective, but there is no retrospective levy. I am quite happy to hand over this note to Mr. Bagrodia, instead of taking the time of the House.

SHRI P. CHIDAMBARAM: Sir, now I turn to the fringe benefit tax.

SHRI SANTOSH BAGRODIA: You have not replied to the points relating to 10 years old retrospective tax collection. *...(Interruptions)...*

SHRI P. CHIDAMBARAM: I am trying to tell you *...(Interruptions)...*

SHRI SANTOSH BAGRODIA: You have mentioned three points. One of them I have not mentioned because I am not in the Ministry. So, I do not get all the information. *...(Interruptions)...*

SHRI P. CHIDAMBARAM: Only three retrospective provisions are on page 18, paragraph k (1), (2) and (3). You did not have any complaint about k (1), (2) and (3). Therefore, there are no other retrospective



provisions of the Finance Bill. That is what I am trying to say. ...*(Interruptions)*... I cannot give you that now. ...*(Interruptions)*... I am dealing with this present Finance Bill. Sir, now I come to the fringe benefit tax. Yes, Jairam is right. He has made a study of section 37 of the Income Tax Act. Sir, section 37 of the Income Tax Act contains what is called the disallowance route, that is, a number of items and expenditure are disallowed as expenditure by the income tax officers and added back to the taxable income. Now this disallowance route was vehemently criticised in the nineties. This disallowance route said any expenditure up to Rs. 10,000 will be allowed; any expenditure above Rs.10,000 will be allowed subject to certain adjustments. And then it disallowed a number of items of expenditure such as entertainment allowance, provision of hospitality, provision of food or beverage, advertisement -- subject of qualification -- maintenance of any residential accommodation, including a guest house, travelling -- subject again to qualification -- hotel expenses, allowance paid in connection with travelling, running and maintenance of aircraft and motorcars, payment made to hotels, publicity, sales promotion and whole lot of heads of expenditure which were disallowed. Now these sections underwent amendments from time to time. In 1997 I happened to be the Finance Minister who got rid of this disallowance route because this was severely criticised as vesting enormous discretion in the hands of the tax-assessing officer. And I accept that criticism. Now what we have done is that we have taken the alternative route, which- is prevalent in many countries, namely, instead of going through the disallowance route, we are going through the route of identifying expenditure, which are clearly fringe benefits. Yes, there is natural apprehension how will this system work. Well, I am happy that I have an opportunity to explain this. The system will work in a very simple way. All that we are doing now is -- I am sure chartered accountants in this House may appreciate it -- that wherever there is 44(a)(b) requirement of tax audit certificate, in that prescribed form along with all other existing items, I am simply including the 17 or 18 heads of fringe benefits to be certified by the tax auditor. Once that certificate is produced, the assessing officer has no discretion but to accept the tax audit certificate as the fringe benefit expenditure of that company. It is such a very simple form, a form that already exists in which we are including these items to be audited and to be supported by a tax audit certificate. In the return, we are adding a schedule to the existing return in which they will list the heads of expenditure and show what expenditure was incurred. Everybody who is familiar with accounting knows all these expenditures have

a separate ledger page and all these expenditures are debited to one or other expenditure head which reflected in the ledger. All that you have to do is reproduce the entries in the ledger, reproduce the total in the ledger and list it under the heads of expenditure. This has been done after widest consultations with industry, Chambers of Commerce, auditors and tax practitioners. It is a very simple system. What this does, as opposed to the disallowance route of Section 37, is, under the disallowance route there was a vast amount of discretion vested in the tax assessment officer under this FBT route. That discretion is taken away. Now, you can argue philosophically, is it right to tax fringe benefits? That is a philosophical question. I believe that it is right to tax fringe benefits. Today, perquisites are taxed in the hands of the employee. What we are saying is, the principle is cost to the company. Only yesterday, I read Bill Gates has a second thought on stock option. He says and I read in the newspaper, 'Stock options disguise the cost to company and don't give adequate information to the shareholder what is an employee costing to a company. Fringe benefits disguise the real cost to the company and don't tell the shareholder what an employee is costing to the company'. Cost to company is the rule today in accounting. Fringe benefits when accounted for is a transparent way of finding out what it costs a company for having employees, for having workers. We have excluded a number of benefits which accrue to us. For example, canteen expenditure has been excluded, transport and travelling has been excluded. Even under the fringe benefit, as amended by Lok Sabha, we have taken care to exclude what I realised would be legitimate business expenditure and perhaps not amenable to the categorisation, fringe benefit. What has been included is fringe benefit. We have lowered the base rate sharply to 20 per cent in most cases, except four cases where it is 50 per cent and for special sectors like farmer and software and travel agencies, we have lowered the base even further to 5 per cent. This according to me, will add approximately 1 to 1.5 per cent of the effective tax rate. A question was asked, 'Is it not better to raise a corporate tax rate rather than go through the fringe benefit route?' Well, it is a superficially attractive argument. But, then, you are penalising a company which pays all benefits as salary and you are not penalising a company which is paying part of the benefit as fringe benefits. If you have a higher corporate rate, then, the company which pays all as salary and does not disguise it as various fringe benefits is penalised for the higher corporate rate. Today, the corporate rate has been lowered but anyone who is paying fringe benefits, perquisites disguised as fringe benefits, he

would have to pay effectively, if he pays all the fringe benefits to his employees, our calculation show that effective corporate rate may go up between 1 to 1.5 per cent. The effective corporate rate in the country for non-banking companies is only 20 per cent. The scheduled rate is 35. The effective rate is only 20 per cent. Therefore, one way to move the effective rate towards a schedule rate -- it cannot be done in one go - is to capture expenditure which is otherwise really a perquisite or a fringe benefit, which has escaped taxation, capture it and bring it back to the tax net so that companies which give away a large amount of money by way of fringe benefits would have to effectively pay one or one and a half per cent more. Now, I have also been watching television channels on the debate. Yes, of course, opinion is divided. But I can also quote half a dozen people. Among them is Mr. Mohandas Pai of Infosys who says, 'it does not make any difference to us, we are quite happy to pay FBT.' I am sure I can also recall a number of others who said, 'No, no, we are unhappy about it.' But as I said, it is not possible to tax and please. All I can say is, there is a rationale for this taxation, there is a rationale justification for this tax and the administration of the tax is so simple. The form and the tax audit certificate makes it so simple. I assure the House, nobody will be harassed in their IT. Nobody will be put to any difficulty. If any difficulty is brought to my notice, we will simplify it even further.

SHRI JIBON ROY: I asked about the Superannuation Fund.

SHRI P. CHIDAMBARAM: I am replying to that. Sir, a question was asked about the superannuation. Yes; superannuation contributions are being brought under the Fringe Benefit Tax. Today, as far as the industrial worker is concerned, he gets Provident Fund in which there is a pension element and he gets gratuity. Now, under the Provident Fund there is a limit. In actual practice because the way the rule is worded, there is a limit of 12 per cent. The Employer's contribution -- we are only talking about the employer's contribution -- is deductible as business expenditure if it stays within the limit 12 per cent. It is not deductible as business expenditure if it goes beyond the limit of 12 per cent. The employee's contribution is not taxable in the hands of the employee. But, if it goes beyond the limit of 12 per cent, it is taxable in the hands of employee. Even the Provident Fund, if it goes beyond the limit of 12 per cent, it is taxable today, both in the hands of the employer as non-deductible expenditure, in the hands of the employee as a taxable benefit.

I don't want to take your time on the Gratuity Fund.

Sir, Superannuation Fund is not a statutory contribution. Unlike the Provident Fund and the Gratuity, which are statutory, Superannuation Fund is voluntary. Superannuation Funds have come into being in the last few years. These Funds are essentially for the high-end employees. Superannuation Funds are not given, in addition to the Provident Fund and the Pension Fund. So, the worker is not getting the Superannuation Fund. The industrial workers are not getting the Superannuation Fund. The high-end managers are the ones who are getting the Superannuation Fund. The Superannuation Fund, today, is deductible as business expenditure under Section 36(1)(4), if it is within the limit of 27 per cent and (-) the amount contributed as Provident Fund. It cannot be beyond the limit. So, that column is not applicable. In the hands of the employee it is not taxable whether it is within the limit or beyond the limit because he is not making a matching contribution. What we are now saying is this. A voluntary contribution to a Superannuation Fund is taxable. I know the point made by Mr. Mohan Pai. If you give a man Rs. 5 lakh as salary, it is taxed. If you give a man Rs. 5 lakh as contribution to the Superannuation Fund, it is not taxed. So, it is the only way you disguise the benefit. Therefore, the Superannuation Fund to high-end employees, high-wage earners is being brought under tax net because there is no difference for giving him as salary who then creates his own Superannuation Fund and the employer is contributing to the Superannuation Fund. Therefore, the Superannuation Funds have been brought into the tax net. They have been correctly brought under the tax net. This does not affect the industrial workers because to the best of my knowledge industrial workers enjoy the Provident Fund-cum-Pension. They do not enjoy the Superannuation Fund that we are talking about.

SHRI JIBON ROY: It is a voluntary SAF.

SHRI P. CHIDAMBARAM: I agree. It is voluntary.

SHRI MANOJ BHATTACHARYA: Mr. Minister, could you yield for a minute? Sir, when this pension scheme came into being in 1994, if I am correct, a provision was made that in a company the industrial workers will negotiate with the employer and will decide that they will run one Superannuation Scheme which may be a little better than the Employee Pension Scheme. Some of the employers have agreed to go for private arrangement - trust or something like that. Employees are contributing from their Provident Fund kitty to the tune of 1.8 per cent and the employer also contributing something. The scheme was running by a trust. Now,

you are imposing some tax on that. They are not the high-wage earners whom you are referring to. In the Employees Provident Fund or in the Employees Pension Fund, calculation is up to Rs. 5,000. So, they are not high-wage earners. And, between Rs. 5,000 and Rs. 10,000 there are a number of industrial workers. What about them?

SHRI P. CHIDAMBARAM: Sir, that is what the point I am making. Even today, if it is beyond the limit, if it is contributed as Provident Fund, it is not deductible in the hands of the employer and it is taxed if the employee makes that contribution. That is the position even today under Section 36(1)(4). That is the position even today. If he contributes not for provident fund or pension, but for the superannuation fund, even today, if the other things are taxable, this contribution should also be taxable. It is quite simple. If you give it as a salary, it is taxable. But, if you give it as superannuation fund, it is not taxable. What is the logic? I can give salary to my employee; he can create his own fund. He pays tax on the salary. Then, he creates his own superannuation nest. Instead of that, I say, "I won't give you the salary; I will contribute towards the superannuation fund, which is not taxable today". What is the logic to it? Because, whether you call it the salary, which goes to create the superannuation nest, or you give it directly to the superannuation fund, both are benefit to the employee. It is cost to the company. It should be taxed. Therefore, we are taxing it. ...*(Interruptions)*...

SHRI MANOJ BHATTACHARYA: Many companies will go back.

SHRI P. CHIDAMBARAM: Nothing will happen. You kindly wait for it to operate. ...*(Interruptions)*... Wait for it to operate. I don't think you can come to a conclusion. If you find there are some unexpected difficulties, or, there are some unanticipated problems, surely we are here, as Parliament, to address those problems because we can address those problems. ...*(Interruptions)*... Mr. Yashwant Sinha, who was ridiculing, मैं हूँ ना" had said that I would not achieve these tax targets. We have achieved it. The indirect taxes collection is 100.01 per cent of the Revised Estimates, while the direct taxes collection is 98.7 per cent of the Revised Estimates. Therefore, when I say, मैं हूँ ना" I correct it. What is that ICICI advertisement - हम हैं ना" ...*(Interruptions)*... We all are here. We will do it. We will face the problem. If we find a problem, we will come back. We will face the problem. We will amend the law. We are all here. ...*(Interruptions)*...

[5 May, 2005]

RAJYA SABHA

SHRI ROBERT KHARSHIING (Meghalaya): What about the poor man who is paying..*(Interruptions)*...

SHRI P. CHIDAMBARAM: Please listen to me. I am not taxing any statutory contribution. All statutory contributions are exempted in the..*(Interruptions)*... Please look at the provisions. The provident fund contribution, under the EPF Act, pension fund contribution ...*(Interruption)*... He is asking. I am answering to him, not you. All statutory contributions are not being taxed under the HBT.

Sir, there were some questions about the petrol and diesel cess. The additional 50 paise cess has been imposed only to fund the National Highway Development Programme. NHDP-1 and NHDP-2 were funded by the earlier cess. But this Government has announced the NHDP-3, which is outside the Golden Quadrilateral and outside the North-South, East-West Corridor. We want to connect all the State capitals and lay four-lane highways on the dense traffic corridors. This requires a huge amount of money. Therefore, we have imposed the additional cess of 50 paise. We have amended the Act also. This additional cess of 50 paise will not be distributed in the same manner as the original cess of one rupee fifty paise was distributed. This will be going exclusively, exclusively to the Highway Development Programme. ...*(Interruptions)*...

SHRI DIPANKAR MUKHERJEE: As I see the report of the Standing Committee on Transport and Tourism, that levy of additional... *(Interruptions)*...

SHRI P. CHIDAMBARAM: I am answering that. I am answering that. I am award of it.

Sir, in 2003-04, the collection was Rs. 8,391 crores. The allocation was Rs. 5,791 crores. Why? Because, although the cess was raised from rupee one to one rupee fifty paise in 2004. The decision on the allocation of the additional fifty paise, raised-in that year, had not been made. There was a dispute among Ministries on who should get that 50 paise. That Government did not resolve that dispute or take a decision. Hence, the allocation is below the estimated receipts. This year, with this amendment, we know where this additional 50 paise is going and where the one rupee 50 paise should go. I am confident that we will be able to allocate the entire amount collected by cess. But I will report back to the House at the revised estimate stage or at an earlier stage whether what we collect by cess this year will be allocated to the programme for which it is intended.

Sir, somebody said that the National Highway Development Programme has slowed down. That is not correct. In fact, it has gathered pace. There was a hiatus of three months, during the election time, when contracts were not given. And, therefore, the programme did indeed slow down between March, 2004, and, say, June-July, 2004. But, since then it has gathered pace. These figures are available with the Minister of Road Transport. But the number of kilometres that are being built today is far more in the first 11 months of the UPA Government than the number of kilometres built during the NDA Government. If you remember, last time, Shri Arun Jaitley had challenged me on that. I said, 'Yes, I am not saying it is exactly comparable.' The earlier period must be excluded because it is a preparatory period. Even if you exclude the earlier period, the number of kilometres being built today is far more than the number of kilometres built during the earlier period.

I now come to VAT. VAT is not a Central tax. It is a State tax. VAT is imposed by the States. It is intended to replace the sales tax. It is under Entry 54 of List II. We have acted as a facilitator, not after this Government came; the Central Government has the facilitator for the last seven years. Seventy-nine meetings were held. All State Finance Ministers including my distinguished friend from Tamil Nadu, Mr. Ponnaiyan, attended these meetings. All of them passed resolutions, all of them subscribed to the minutes and all of them were present when the White Paper was released. *...(Interruptions)...*

AN HON. MEMBER: It is not an anonymous release.

SHRI P. CHIDAMBARAM: Of course, it is. I have seen the minutes. I have attended the meetings with Mr. Ponnaiyan. Everybody would raise some points, and once the consensus is reached, everybody voted for the consensus. When the White Paper was released, everybody subscribed to the White Paper. Therefore, today, for good or bad reasons, some States have got a second task. Who am I to tell a State whether the State is wise or not? It is a State law. If in your wisdom you decide that you will not go to VAT, so be it. It is, unfortunate and the States will suffer. Look at the report that came from Kerala. In one month - of course, one swallow does not make a summer - the Kerala Finance Minister or the Commercial Tax Minister has reported that in the month of April, VAT collections are running 15 per cent higher than the corresponding sales tax collections of last year. VAT is a tax which I commend. BJP is not here. I appeal to the BJP States, I appeal to the AIADMK Party, and I

appeal to the Uttar Pradesh Government to please come on VAT. It is the single most important reform which the States have done in the last 50 years. It is the biggest tax reform. It is bigger than the direct tax reforms. It is bigger than the indirect taxes reform. It is the single biggest reform. 130 countries of the world have VAT or GST. Therefore, I am confident they will come on board. I am not criticising any State.

SHRI P.G. NARAYANAN: Why don't you compensate fully?

SHRI P. CHIDAMBARAM: Please remember this. The compensation formula was recommended by the Empowered Committee of Finance Ministers. I have accepted the compensation formula as they recommended it, without changing a 'comma' or a 'full stop.' The formula they gave, I have accepted it *in toto*. I took that formula to the Cabinet and said that all the Finance Ministers have recommended this formula. Although this formula will impose a burden, but, I said, "If, 'a big if,' a State suffers a loss, let us accept it." And the Cabinet and the Government of India have accepted it *In toto*. ...*(Interruptions)*... That is what they recommended and we accepted it. ...*(Interruptions)*...

SHRI MANOJ BHATTACHARYA: The States will be subjected to mercy or consideration of the Central Government. Not beyond that.

SHRI P. CHIDAMBARAM: This is a pessimistic view. In my view, VAT is a revenue enhancing tax. VAT will give more revenues than sales tax. Haryana is an example. Kerala is reporting a one-month results. VAT is a revenue enhancing tax. Please remember, every State, which has switched over to VAT, in the Budget presented, shows collections under the commercial taxes higher than last year's collections. So, how can it be a revenue loss? In your budget estimate you are showing higher collection. Therefore, I think this is a single most important reform. I have no way in enforcing it. It is not my tax. I -appeal to all the States to please implement VAT. It does not matter you have lost a month or two. The sooner they come on VAT, the better it is for this country. I, particularly, appeal to my noble and distinguished friend to tell his Government and to tell his Finance Minister to come on VAT, as early as possible.

SHRI P.G. NARAYANAN: If you compensate fully, we have no objection.

SHRI P. CHIDAMBARAM: Please ask Mr. Poonaiyan whether he was a party to the compensation formula or not. He attended many of



those 79 meetings. Sir, I think what we have done in terms of the Finance Bill is a reasonable package. We have given concessions, we have given exemptions, we have raised the threshold exemptions, we have made adjustments where criticism was levied; it was made against me. We have adjusted the cash withdrawal tax. We have also made some necessary corrections on the fringe benefit tax. I think, we should give an opportunity to these taxes to play their way out like STT. STT has come to stay now. Nobody even talks about STT these days. Everybody is paying STT. So, let us allow this to happen and let us see whether the objectives of taxation, namely, to collect more revenue, to bring more discipline into the monetary Transactions of this country, to bring more discipline into the banking transactions of this country and to collect more revenue from those who have the capacity to pay, are achieved is a matter that you will have to judge at the end of the year.

MR. DEPUTY CHAIRMAN: Now, Mr. Dipankar Mukherjee.  
...(Interruptions)...

SHRI P.G. NARAYANAN: Sir, I may be given a chance.  
...(Interruptions)...

MR. DEPUTY CHAIRMAN: No, no...(Interruptions)... That is nothing..  
...(Interruptions)... I am not going to allow you...(Interruptions)... Mr. Dipankar Mukherjee...(Interruptions)... Every Member has a right to seek clarifications.  
...(Interruptions)... There is no right to reply to the Member's argument. There is no right to reply, please.

SHRI DIPANKAR MUKHERJEE: Sir, I have only one clarification to seek from the hon. Finance Minister, that is, regarding para 140 of his Budget statement, wherein he said -- regarding the petroleum taxes -- "that I have been assured that there will be no increase in the retail prices of these products, as a result of the changes in the duty structure." Now, in view of the excise duty, as it has come, can he again assure us that, so far as the prices of petrol and diesel are concerned, there will be no increase on account of excise duty per litre on diesel and petrol, excluding the cess as well as the increase in international prices?

SHRI P. CHIDAMBARAM: Sir, any assurance on this behalf can only be given by the Minister for Petroleum and Natural Gas. What we have said in the Budget Speech is, and I convinced the Minister for Petroleum. He went out and told the Press, "I am more than convinced." You must have read that news report. We calibrated the customs duty and the excise

duty based on two assumptions which have to be made. One is, the international price is constant, before adjustment and after adjustment, and, then, the volume of imports are constant, before adjustment and after adjustment. You make these two assumptions. Once you make the two assumptions, once you calibrate the customs duty and the excise duty on petroleum products, I maintain that it will be revenue neutral. And the Ministry of Petroleum is totally convinced that it is revenue neutral. The additional Rs. 3,000 crores which have been referred to in the Standing Committee Report, is the additional revenue coming after the cess of 50 paise. ...*(Interruptions)*...

SHRI DIPANKAR MUKHERJEE: I have not referred to that.

SHRI P. CHIDAMBARAM: I know that. I know that. You have understood.

What my friend is asking is, tell me that petrol and diesel prices will not increase.

SHRI DIPANKAR MUKHERJEE: No, no.

SHRI P. CHIDAMBARAM: Just a moment. I cannot give that assurance because only the Minister for Petroleum can give that assurance. In 2003-04, the Indian basket average price was \$28 a barrel, in 2004-05, the Indian basket average price was \$39. So far, today, it is over \$50. Therefore, there is a price rise. Number one. There is also an additional cess. If you factored out the two, as long as this excise duty and this customs duty are there, this excise duty and this customs duty should not contribute to any price increase. ...*(Interruptions)*...

SHRI DIPANKAR MUKHERJEE: I am again repeating. These are assurances. ...*(Interruptions)*...

SHRI P. CHIDAMBARAM: No, I can't give any more assurances. ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: No, Mr. Dipankar...*(Interruptions)*;.... Please... *(Interruptions)*....

SHRI DIPANKAR MUKHERJEE: Sir, it matters to the common man. Let us try to understand. These are the Budget statements for a common man, not for a tax expert or legal luminaries, it is for a common man. The first thing is- I am repeating my point- let us leave aside international price; cess of 50 paise, let us leave aside. On paras 137, 138, 139 and 140 I

feel that the Government assures that on account of excise duty, there will be no increase in retail price as stated *here... (Interruptions)...*

SHRI P. CHIDAMBARAM: No; no; I cannot give any assurance.  
*...(Interruptions)...*

SHRI DIPANKAR MUKHERJEE: Is it the assurance which I am getting from the hon. Minister?

MR. DEPUTY CHAIRMAN: No; no. That is all right.  
*...(Interruptions)...*

SHRI DIPANKAR MUKHERJEE: He had assured. *...(Interruptions)...*  
You had said that prices of the .....*(Interruptions)...*

MR. DEPUTY CHAIRMAN: No; no; this is not the practice.  
*...(Interruptions)...* No; no; this is not *...(Interruptions).....*

SHRI DIPANKAR MUKHERJEE: He had said that there is no increase. That is what you have said. *...(Interruptions)...*

SHRI P. CHIDAMBARAM: Sir, I cannot add to what I have said.  
*...(Interruptions)...*

MR. DEPUTY CHAIRMAN: He cannot add anything more than what he has said. *...(Interruptions)...* The question is :

"That the Bill to give effect to the financial proposals of the Central Government for the financial year, 2005-06, as passed by Lok Sabha, be taken into consideration.

*The motion was adopted.*

MR. DEPUTY CHAIRMAN: Now, we shall take up clause-by-clause consideration of the Bill.

*Clauses 2 to 124 and Schedules I - XII were added to the Bill.*

*Clause 1, the Enacting Formula and the Title were added to the Bill.*

SHRI P. CHIDAMBARAM: Sir, I move :

That the Bill be returned.

*The question was put and the motion was adopted.*

MR. DEPUTY CHAIRMAN: Now, we take up the Statement on the status of implementation of recommendations made by the Department-

related Parliamentary Standing Committee on Science and Technology, Environment and Forests in its 127<sup>th</sup> Report.

### STATEMENT BY MINISTER

Status of implementation of recommendations made by department-related Parliamentary Standing Committee on Science and Technology, Environment and Forests in its 127<sup>th</sup> report.

THE MINISTER OF STATE OF THE MINISTRY OF SCIENCE AND TECHNOLOGY AND MINISTER OF STATE OF THE DEPARTMENT OF OCEAN DEVELOPMENT (SHRI KAPIL SIBAL): Sir, I am making this statement under the direction issued by hon. Chairman in pursuance of the provisions of Rule 266 of the Rules of Procedure and Conduct of Business in the Council of States *vide* Rajya Sabha Bulletin, Part II, dated the 28<sup>th</sup> September, 2004, to inform this esteemed House about the status of the implementation of the recommendations made by the Department-related Parliamentary Standing Committee on Science and Technology, Environment and Forests in its 127<sup>th</sup> Report. This Report relates to the consideration of the detailed Demands for Grants (2004-05) of the Department of Biotechnology (DBT). The Committee reviewed the progress made by DBT during the reporting period and considered the Demands for Grants (2004-05), in detail. The Department made an oral presentation before the Committee during its meeting on 9<sup>th</sup> August, 2004.

The Committee, while reviewing the working and considering the detailed Demands for Grants of DBT, analysed the Demands for Grants with reference to the aims, objectives and achievements of the Department and presented the 127<sup>th</sup> Report thereon to the House on the 18<sup>th</sup> August, 2004. The Report contains 16 recommendations, in all, which were advisory in nature. The recommendations were received in DBT in September, 2004. The Department has furnished a detailed Action Taken Note on these recommendations to the Committee, in December, 2004. The current status on the action taken is given in the appended Annexure.

Sir, I beg to leave to place both the Statement as well as the Annexure on the Table of the House. The Statement and the Annexure is given as under: