

REFERENCE TO THE CLOSING DOWN OF THE STANDARD MOTORS

SHRI T. V. ANANDAN (Tamil Nadu) : I am very glad that the Minister of Industrial Development and Internal Trade is here although the Deputy Minister is going away now. I am raising the question about the Standard Motors. It is situated in Vandalur in the State of Tamil Nadu. The Standard Motors is closed from the month of May this year. Four thousand workers are out of job and their families suffer today. A committee was appointed, the committee headed by Mr. Verghese, a former Chief Secretary to the Tamil Nadu Government, and the report of that committee has been submitted to the Centre in the second week of this month. But the Centre has not yet taken a decision on it, because, yesterday, it has been stated in the Tamil Nadu Legislature that the Government there is awaiting the decision of the Centre. They have also given three alternative suggestions to choose one among them. The Centre may take over the factory and run it as a public sector project or it may be a joint venture of the State and the Centre or the Centre may permit the State to run it in collaboration with the private sector. As I said, the decision has not yet been given by the Centre, and 4,000 families continue to suffer today. Why no interests is shown by the Centre in this matter? Is it because the State of Tamil Nadu is 1,300 miles away from Delhi that the Centre is not interested in the welfare of those people there, or is it due to the fact that the Centre is so much emboldened by the support of the 25 M.Ps. belonging to the DMK Party that it thinks it can always remain in power and can afford to delay a decision on this issue? The Question of these 4,000 families should be taken in hand immediately and the decision of the Centre conveyed to the State Government immediately.

THE MINISTER OF INDUSTRIAL DEVELOPMENT AND INTERNAL TRADE (SHRI DINESH SINGH) : May I say that there is no delay on the part of the Central Government. As soon as that report was received, it has been sent to the Government of Tamil Nadu. Their views are awaited, and as soon as we get the views of the Tamil Nadu Government, we shall consider the matter further. Besides that, we understand that the owners of the factory are willing to reopen the factory and take back all the labour, and there was been some discussion between the owners and the Secretary

of Industries of the Tamil Nadu Government, and with their co-operation there should be no reason why the factory should not be opened immediately.

THE TAXATION LAWS (AMENDMENT) BILL, 1970

THE MINISTER OF REVENUE AND EXPENDITURE IN THE MINISTRY OF FINANCE (SHRI VIDYA CHARAN SHUKLA) : Sir, I beg to move :

“That the Bill further to amend the Income-tax Act, 1961, the Wealth-tax Act, 1957, the Gift-tax Act, 1958 and the Companies (Profits) Surtax Act, 1964, as passed by the Lok Sabha, be taken into consideration.”

Sir, at this stage I do not wish to take much time of the House and I would like to finish my introductory remarks before the House rises for lunch, but in this limited time at my disposal I would like to draw the attention of the House to a few salient points that may be considered by the hon. Members when they debate and consider this measure. We all know that these measures are not wholly meant for collection of revenue for the Government. They seek to achieve many more things also, like our economic and social objectives of equality, levelling the income rate and also obtaining social and economic justice as far as it is possible within the purview of the taxation laws. Because of this all these laws have become as a matter of necessity a little more complicated than they should be. Therefore our attempt in this particular amending Act is to simplify the taxation structure, the assessment procedure, etc. as far as possible. We have also taken into account while drafting this Bill the detailed recommendations that were made by the Administrative Reforms Commission, the Bhootalingam Committee on streamlining of taxation procedure and the various Reports of the Public Accounts Committee. They have made very valuable suggestions regarding taxation matters and we have taken all these into account while framing the provisions of this Bill. After this Bill was drafted it was published in the Gazette of India and it was widely publicised to elicit public opinion. We did receive a lot of suggestions and material from various quarters. After that, being a money Bill, it was referred to a select Committee of the Lok Sabha. The select

[Shri Vidya Charan Shukla]

ommittee of the Lok Sabha also made certain very important changes in the matter and whatever was left out was completed when a few of the important amendments moved by hon. Members were accepted in the Lok Sabha to make this Bill as complete and as effective as possible. As I indicated, the first intention in amending these laws is to provide a simplified taxation law and secondly, to plug the loopholes, wherever there was a change of evasion or even legal avoidance, as effectively as possible and in doing so we have considered, as I said, the Reports of the Public Accounts Committee, the Bhootalingam Committee and the Administrative Reforms Commission. We have also taken into account the difficulties that the small assessee face. As hon. Members know only a half per cent of our population is touched by these direct taxes; not even one per cent of our population is paying these direct taxes. Only such a small section of the population is concerned with these laws that all the same it is one of the most important sources of Government revenue. We do not want that the small assessee, the fixed income group assessee who have to pay some tax to the Government should be put to difficulty. Therefore we have devised a procedure by which . . .

SHRI BHUPESH GUPTA (West Bengal) : How many pay wealth tax?

SHRI VIDYA CHARAN SHUKLA : I will give you all that when I reply to the debate if you raise all your points.

SHRI BHUPESH GUPTA : You only say how many pay wealth tax.

SHRI VIDYA CHARAN SHUKLA : Sir, I was saying that with regard to the small tax-payers we have in this measure introduced a system of summary assessment which is a little different from the existing procedure. Under the existing procedure a tax-payer's return is accepted by the income-tax Officer as correct and factual when he would immediately accept the returns filed by the assessee and issue a demand according to the assessment order. In fact this really did not happen. In fact, this happened very rarely. In most of the cases the books had to be called for, the assessee had to be called for explanation and in many cases where they happened to be fixed income group people like scientists and others who did

not maintain regular books of accounts, they were put to a lot of difficulty. Here we have made a provision for summary assessment under which the Income-tax Officer would be taking the return filed by the assessee, examine it properly and then pass an assessment order. If the Income-tax Officer wants to raise the tax liability on the assessee and the assessee wants a hearing before the ITO then the assessee will have the right to approach the ITO and say that the assessment made by the ITO is not correct and that he would like to present before him the facts as they are. Then the assessee will be able to get a hearing from the ITO and then the assessment will be completed. Of course, there are, as the House knows, various other channels to which he can go in appeal later on, but here we expect in most of the cases that it will be settled at the level of the ITO. In the summary assessment we also saw that there was a danger that in case of some fraudulent collusion, there could be heavy under-assessments made. In the Bill as it came from the Select Committee there was no power given to the Government to reopen such cases, but in the Bill as it has come before this House, the Government have taken such powers in their hands. In case they feel that the assessment of the assessee, for instance of a big business house, has not been completely fair or it has not been in accordance with the facts of the case, then the Government would have the power, the ITO will have the power to reopen the assessment completed under the summary assessment procedure, call for the facts or take the books into account and also increase the tax liability. In the existing Act it is actually provided under sections 147 and 148 of the Income-tax Act that individual cases could be reopened. It was argued in the other House that the Government should not have this fresh power of reopening the cases, but we know that under sections 147 and 148 there has been a plethora of case-laws. The Supreme Court and High Courts have given all kinds of judgements which have made the reopening of cases completely difficult, particularly in the cases of bigger assessee who can afford very expensive tax advisers, who can afford to go to High Courts and the Supreme Court. We have found it in actual practice to be very difficult and rather impracticable to utilise the provisions of these sections and to reopen cases, and therefore we thought we should have simple powers and effective powers to reopen wherever we find that there has been undoubtedly

collusion and there has been wrong assessment or under-assessment of any particular assessee who really owes a big tax liability or who has been under-assessed something else. So, this power has also been taken by the Government under this Bill. There was understandably a great deal of opposition from the Jan Sangh and the Swatantra Party to this provision, but the entire House was behind this amendment which was accepted by the Government. I suppose this is a great improvement on the existing provisions of the Act.

Now, Sir, another new provision that we have added in this Bill and which is a completely new concept as far as Indian direct taxation goes is the amortisation of preliminary expenses. This will benefit new and up-coming entrepreneurs. We want to encourage the new class of entrepreneurs springing up in the country. We have also provided for amortisation in certain industries like mining, etc. Here also we have taken care to exclude foreign companies and even such domestic foreign companies which are widely held by Indians but still they are registered outside. So, we have taken care to exclude foreign companies altogether from the benefits that we want to give under this Bill, so that no new tax either to stabilise themselves here or to further spread their activities in this country. We only want that the Indian companies and the new-coming entrepreneurs should be able to make use of this. This will of course be subject to the Monopolies Act and the Companies Act and other things. Subject to that, this will be a great help to the new-coming and up-coming industrialists.

There are many other provisions that have been made in the Bill, but rather than saying anything on them now I would reserve my comments . . .

SHRI A. D. MANI (Madhya Pradesh) : May I ask you to throw some light on the provision relating to donations because they have fixed the limit as Rs. 200,000? I want you to give some information on that.

SHRI VIDYA CHARAN SHUKLA : As far as donation is concerned, I do not think we have done anything new in this Bill.

SHRI BHUPESH GUPTA : The debate will be useful at least if you give one or two facts beforehand. For example, I want to know how many people today are paying wealth tax compared to those who were paying at the commencement of the Wealth Tax Act.

SHRI VIDYA CHARAN SHUKLA : I do not have the figure at present with me but in the course of one hour or during lunch time I shall get the figures for the hon. Member. I do not think it runs to more than a few thousand people.

SHRI A. D. MANI : Will you refer to donations?

SHRI BHUPESH GUPTA : It will be quite an interesting disclosure. I want to have the figure from you before I speak.

SHRI VIDYA CHARAN SHUKLA : It is nearly 1 o'clock now. I would say that this is a great improvement on the present taxation laws and this we have brought forward before this hon. House in order not only to achieve our social and economic objectives but also to make it easier for the smaller assesseees to pay their taxes in a regular and proper manner and eliminate any chances of harassment. Therefore, I hope the House will. . .

SHRI BHUPESH GUPTA : One question. Now that you are passing this Bill with some social objectives, is there an arrangement in respect of the members of the Council of Ministers to explain to them to the provisions of the Act and also appoint someone who would remind them month after month that they have to file their returns?

SHRI VIDYA CHARAN SHUKLA : I hope the hon. Member does not want us to discriminate against the Ministers. I hope you do not want us to discriminate against the Ministers as far as the taxation law goes. We want to treat them as ordinary taxpayers and ordinary assesseees. The will be, I assure the House, treated according to the law as it is.

SHRI BHUPESH GUPTA : One second. My friend is very good. He says he wants to treat the Ministers . . .

MR. DEPUTY CHAIRMAN : Without any favour, without any discrimination.

SHRI BHUPESH GUPTA : But reading the newspaper report we gather that in the matter of avoidance and evasion of tax they belong to a separate category.

SHRI VIDYA CHANRAN SHUKLA : The very fact of the newspaper report would show that all the hon. Ministers are being treated as ordinary assesseees. No special concessions has been shown to anybody.

The question was proposed.

MR. DEPUTY CHAIRMAN : We will continue the discussion after lunch hour. Meanwhile we have got a statement.

STATEMENT BY MINISTER CONTRADICTING CERTAIN REMARK MADE BY SHRI RAJNARAIN

THE MINISTER OF STATE IN THE MINISTRY OF INFORMATION AND BROADCASTING AND IN THE DEPARTMENT OF COMMUNICATIONS (SHRI I. K. GUJRAL) : With your permission, Sir, I have noticed that in the Rajya Sabha proceedings of the 26th of this month the hon. Member, Shri Rajnarain, while speaking on the University Grants Commission report debate mentioned that I got pressurised Shri Salwan of Alwan College, Delhi, about the appointment of Principal. I would like to submit that his information is untrue.

MR. DEPUTY CHAIRMAN : The House stands adjourned till 2 P.M.

The House then adjourned for lunch at one of the clock.

The House reassembled after lunch at two of the clock, **MR. DEPUTY CHAIRMAN** in the Chair.

THE TAXATION LAWS (AMENDMENT) BILL, 1970—contd.

SHRI R.T. PARTHASARATHY (Tamil Nadu) : Mr. Deputy Chairman, Sir, I seek to make a few observations on the Taxation Laws (Amendment) Bill of 1970, partly welcoming some of its provisions and partly submitting to you that some of its provisions have been begun from the wrong end. They are not constructive by any manner or means though I would like to say that this Bill could have been approved by and large if the Government thought it fit to make all the provisions acceptable to the Opposition as well.

Sir, I would like to make an initial comment that the income-tax law, along with the wealth tax, the gift tax and the companies' profits (surtax) laws that are in existence today, is vexatious. It might be a very hard term to describe it as vexatious. But I have good reasons to make my submission to you and through you to the honourable House because I feel that the principles of public finance and taxation are honoured in their breach by this Government on diverse grounds. While that remains the saddest chapter of the financial history of our country, my complaint against this Government is that they have not come forward to remove the existing ills in the tax law and the other allied laws. The hon. Minister while initiating this debate this morning made a reference that all the assesseees will be treated on a par with the Ministers with reference to the application of the income-tax law. May I respectfully ask the Government whether the same concession that was shown to an hon. Minister who has submitted his return after a 51-month delay will be extended to all the citizens and assesseees of this country? Why has this Minister with 51 months' delay been given that exemption and what are the special reasons? Will the hon. Minister be prepared to place them on the Table of the House? That is why I say that the Government has been adopting double standards, one for the ordinary citizens and another for those who are Ministers and patrons of the Government. And with this, I leave that remark.

Sir, a little while ago, I described these four laws as vexatious because they do not correspond to the norms on which the principles of public finance should operate. The salutary principles of taxation should be that (1) it ought not to be vexatious; (2) the cost of collection of these direct taxes should not be high as compared to the returns; (3) it should not be penal; and (4) it should not throttle the development programme. And my submission to you is that in all these four respects, the income-tax law that is in existence today and even the amendment of the income-tax law that has been placed before the House today, have acted adversely to the public interest, not corresponding to these four norms on which all the democratic nations of the world have based their tax laws.

Sir, it appears to me that the Finance Minister, in bringing forward this law, wants to follow the principle evolved from