

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): Now we shall take up the clause by clause consideration.

The question is :

"That clauses 2 to 5 stand part of the Bill."

*The motion was adopted.*

*Clauses 2 to 5 were added to the Bill,*

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA) : The question is :

"That clause 1, the Enacting Formula and the Title stand part of the Bill".

*The motion was adopted.*

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

SHRI K. S. RAMASWAMY: Sir, I move :

"That the Bill be returned."

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

#### THE TAXATION LAWS (AMENDMENT) BILL, 1967

THE DEPUTY PRIME MINISTER AND MINISTER OF FINANCE (SHRI MORARJI R. DESAI) : Sir, I beg to move:

"That the Bill further to amend the Wealth-tax Act, 1957, the Gift-tax Act, 1958. and the Income-tax Act, 1961, and to amend the Finance (No. 2) Act, 1967, as passed by the Lok Sabha, be taken into consideration."

This Bill has been brought in with a view to replace the Taxation Laws (Amendment) Ordinance, 1967, which was promulgated by the President on the 14th September, 1967.

Sir, as the House is well aware, the Gajendragadkar Commission on Dear-ness Allowance made certain recommendations for the grant of additional dearness allowance to Government employees to partially neutralise the rise in the cost of living. Government held discussions with representatives

of Government employees and Labour Unions in regard to the recommendations of the Gajendragadkar Commission. It was appreciated by the employees' representatives, at these discussions, that the grant of arrears of dearness allowance to the employees, in cash, would aggravate the inflationary situation and accordingly, they agreed to a part of the arrears of dearness allowance due to them being paid into their Provident Fund Accounts. Government, on their part, agreed to pay additional dearness allowance to the employees, in cash, from October 1, 1967. This agreement resulted in an additional financial commitment of the order of about Rs. 30 crores. It therefore became necessary for Government to take steps to augment their financial resources, to the extent practicable to cover, at least, a part of the additional liability mentioned earlier. It was also felt that taxpayers in the middle and higher income brackets should also, in fairness, be asked to make some sacrifice out of their current disposable income, which would not only counter-balance, to some extent, the sacrifice made by the Government employees in agreeing to contribute the arrears of dearness allowance to their Provident Fund Accounts, but also help to reduce the purchasing power of the sections of society which were better off than the employees and thereby keep the inflationary pressures in check. It was also considered necessary to call for greater restraint in expenditure on business entertainment which often takes the form of conspicuous consumption. These, in short, are the objectives underlying the Bill now before the House.

Under the Income-tax Act resident non-corporate taxpayers are required to make annuity deposits during each financial year with reference to their current incomes. The Bill proposes to increase the rates originally specified in this behalf in the Finance (No. 2) Act 1967 by 20 per cent, thereof all along the line. The increased rates will apply for the purpose of calculating annuity deposits to be made during the present financial year in relation to current incomes falling due for

[Shri Morarji R. Desai.]

assessment in 1968-69. The increased rate of annuity deposit is 6 per cent where the income is over Rs. 15,000 but not over Rs. 20,000; 9 per cent, on incomes over Rs. 20,000 but not over Rs. 40,000; 12 per cent, on incomes over Rs. 40,000 but not over Rs. 70,000; and 15 per cent, where the income is over Rs. 70,000. Further, the Bill seeks to make it obligatory on taxpayers having total income over Rs. 15,000 but not over Rs. 25,000 to make annuity deposits to the extent of the difference between the increased rate proposed in the Bill and the rate which was in force previously. Thus, in the case of a taxpayer with a total income over Rs. 15,000 but not over Rs. 20,000, the compulsory limit of annuity deposit will be 1 per cent and the optional limit 5 per cent. Similarly, in the case of a taxpayer with a total income between Rs. 20,000 and Rs. 25,000, the compulsory limit will be 1½ per cent and the optional limit 7½ per cent. Hitherto, taxpayers in this income range were not under any obligation to make annuity deposit, although on making the deposits on their own option they were entitled to deduct the deposit actually made in computing their taxable income.

Under the Income-tax Act, the allowance for business entertainment expenditure in computing the taxable profits of companies is already subject to certain restrictions. The Bill proposes to further restrict, in the case of companies, the allowance for such expenditure incurred by them after September 30, 1967. Besides, the Bill proposes to apply the same restriction in respect of entertainment expenditure incurred after that date in businesses and professions by non-corporate assesseees as well. The deduction for entertainment expenditure incurred after September 30, 1967, in businesses and professions will in all cases be limited to half per cent, of the first Rs. 10 lakhs of the profits of the business or profession, plus ¼th per cent, of the next Rs. 40 lakhs of the profits, plus ⅛th per cent, of the next Rs. 120 lakhs of the profits. Thus the maximum amount which may be deducted

in computing the profits of a business or profession in respect of entertainment expenditure will hereafter be Rs. 30,000 as against the previous limit of Rs. 60,000. This limit will apply where the profits of the business or profession amount to or exceed Rs. 170 lakhs. Where the profits of the business or professions amount to less than Rs. 10 lakhs in any year, the deduction for entertainment expenditure will be Rs. 5,000, even though in such a case half per cent, of the profits will be less than Rs. 5,000. The Bill also proposes to make transitional provisions to cover cases where the accounting year of the business or profession falls partly before and partly after September 30, 1967.

The Income-tax Act provides for charging simple interest from taxpayers, in certain circumstances, namely, where the return has been delayed beyond the due date; where the tax dues are in arrear; and where there are defaults in the payment of advance tax. The rate of simple interest chargeable from assesseees, in such cases, is 6 per cent, per annum. This rate of 6 per cent, being considerably lower than the rate of interest on commercial lending, is not proving an effective disincentive against withholding the taxes due to Government. The Bill, therefore, proposes to increase this rate, from 6 per cent to 9 per cent with effect from October 1, 1967. The increase in the rate of interest is designed to improve the collection of taxes in arrear. It is only logical that interest payable by Government on delayed refunds etc. should be similarly increased. The Bill accordingly proposes to increase from 6 per cent to 9 per cent per annum the rate at which simple interest is payable by Government to taxpayers on excess payments of advance tax; on delayed refunds; and, in a case where the assets of a person have been seized in the course of a search, on the money retained by Government in excess of the tax liability of the person.

The Wealth Tax Act and the Gift Tax Act also contain similar provisions for charging simple interest from assesseees on tax dues in arrear and

for payment of interest by Government to assesseees on delayed refunds. The Bill proposes to increase the rate of interest under these Acts also from 6 per cent to 9 per cent per annum in respect of the period falling after September 30, 1967.

Sir, I hope that the provisions of this Bill will receive the unanimous support of this House.

*The question was proposed.*

SHRI DHYABHAI V. PATEL (Gujarat): Sir, we have before us a new Bill to replace the Ordinance that was promulgated about a month after the Parliament had adjourned. It is difficult to understand why it became necessary to have an ordinance of this type suddenly within a month after the Parliament had adjourned or two months before the next Session of Parliament. If you anticipated that the income as a result of this measure was going to be so high that it would make a difference, one could understand the need of an ordinance for a measure of this type. The hon. Finance Minister has not indicated in his speech as to what the effect of the operation of this Ordinance in the two months has been. So naturally the presumption is that no serious increase in income or loss of income would have come if this measure had not been taken up as an ordinance but in the normal course of law the Bill had been brought before Parliament. To my mind, Sir, it is a matter of principle that a measure of taxation should be put through as an ordinance. Ordinance is usually a matter of emergency which should not become a habit as sometimes it is becoming a habit with this Government. An Ordinance of this type should not 3 P. M. be passed at all, should not be promulgated. Such a measures should only be promulgated after putting it through Parliament and after a discussion in Parliament. I do not see any serious reasons advanced by the Finance Minister for putting through this measure as an Ordinance. It is true that the Government is facing

financial stringencies. Financial stringency, everybody faces, but I do not think this is the correct way of dealing with the measure.

The rate for compulsory deposit is being raised. I do not know how it is going to affect the Budget, but it is going to affect capital formation. It is going to make the cost of living of the ordinary citizen, the ordinary middle class, higher, and therefore it is not a measure that I can support. Today business needs capital. Anything that would help capital formation would help business. But this is going to retard both and therefore it cannot be considered a welcome measure.

One of the other points in this measure is regarding entertainment in business. I think the Finance Minister has travelled widely abroad and he has seen what entertainment is outside this country to consider entertainment that is available in this country and the scale of entertainment that is normally the case with business houses or business in India. I do not consider ours extravagant. And this attempt to curtail it may perhaps be welcomed in the sense that this is a poor country. But then how does it help business? We cannot have two different scales for the types of entertainment which has to be allowed in this country. If we are to deal with countries outside this country, if we want to promote exports, those who export must be allowed to entertain the visitors who come from abroad, and it is not going to be possible for Government to discriminate between the two and, therefore, I feel that any of curtailment of this type as a measure of law is going to be difficult. I dare say Government may have reasons for doing it; there may be some bad cases where this latitude of allowing entertainment has been abused. But those cases should be examined on their own merits and nothing in law should be there so as to make it difficult for ordinary citizens in the normal course of business. Entertainment makes working of business, working of life, smoother for people. That is why we entertain even so many

[Shri Dahyabhai V. Patel] foreign visitors. This country officially invites and entertains foreign visitors, because it promotes goodwill. Similarly a businessman requires to entertain for goodwill with his customers, with his clients in business and, therefore, a reasonable view of this matter should be taken. I do not think that by this measure either business is going to be helped or it is going to help getting more taxes because, ultimately, money is coming from the same coffer, whether you call it by one name or another name, and I think that the limit of taxation has already been reached in this country, and such measures of trying to snatch money, get a little money from business is rather going to retard business than help business. I would therefore request the Finance Minister to reconsider these measures. After all, complex measures of taxation entail more work than getting taxes. Some of the measures that we have on our statute book entail a lot of labour, a lot of paper-work not only by the assessee but also by the different departments of Government, and it is a matter for serious consideration by Government whether such taxes should continue to figure in the statute book. A straightforward measure of taxation where the assessee pays a certain amount of tax and Government gets that return, without having too many detailed calculations and checks, would be a much more desirable way of raising taxation. Unfortunately, we have got into a very very complicated system of taxation in every case and perhaps this is going to add to it. From that point of view this is not a desirable measure.

SHRI ARJUN ARORA (Uttar Pradesh) : Mr. Vice-Chairman, Sir, I rise to support the Bill, but I must submit that the way the Income-tax Department functions, makes all legislation a mockery. The functioning of the Income-tax Department in the country today is something which favours big businessmen with several handicaps, businessmen and fetters the smaller, j There are innumerable cases of under-

assessment of big and monopolistic business houses. Even when the assessments are made, they refuse to pay the taxes. They run from one tribunal to another and carry matters from one court to the other. Even when all the avenues which their highly paid attorneys provide are exhausted, there is refusal to pay and there is, on the part of the Income-tax Department reluctance to take coercive action against big businesses. This morning, Sir, the Finance Minister laid a statement on the Table of the House. That statement mentions the names of scores of big business houses which have more than Rs. fifty lakhs of payment to make, that is, payment of either assessed or admitted income-tax. and the amounts were due on 31st March, 1967—more than six months have elapsed since then. There is no instance in which the Income-tax Department took any coercive measures against any of these people, people who have money, who apply for fresh licences, who are out for starting new ventures but who refuse to pay the assessed income-tax. In this country one hardly ever comes across the case of a big businessman who has been prosecuted for non-payment of taxes, who has been sent to jail because he did not pay the assessed or even the admitted income-tax. Sir, this country is supposed to be marching towards the establishment of a socialist society, but the Income-tax Department in this country is more generous towards big businessmen than even the professedly capitalist American Government is.

There one comes across cases of people being sent to jail because of their refusal to pay income-tax. As a matter of fact, their laws and their practices in this matter are so perfect that when other laws fail, the antisocial elements are rounded up and sent to jail because they have not paid their income-tax. But here in our country, the bigger the income-tax liability the more considerate the authorities are. Sir, the debiting of fictitious expenses and the manipulating of losses have become a very frequent practice in this country. Our assessing authorities have not yet been

able to meet this danger and the result is that by debiting fictitious expenses the profits are converted into losses and income-tax liabilities disappear, so also the bonus due to the workers disappear.

Sir, I will mention one example of B. R. and Sons, Ltd., Bombay. According to a statement made in the Rajya Sabha on the 9th of August, 1967 by the Minister of State for Finance, Shri K. C. Pant, the total outstandings against this company was Rs. 36.5 lakhs. That related to the assessment years 1947 to 1962-63. Now something like four years have ended since 1963. Why is this sum of Rs. 36.5 lakhs not realised from them? The Minister of State, Shri K. C. Pant, stated then that in order to realise this sum of Rs. 36.5 lakhs which is the income-tax due from this concern, the Government was considering sending the company into compulsory liquidation on the ground of fraud by filing a suit and then recovering the amount from the directors. Sir, this announcement was made that now the directors have been changed. They have been altered. The real proprietors, the real beneficiaries of this income-tax evasion and refusal to pay, are no more the directors there. They have announced that they have appointed three of their employees as directors of this concern. Now if the company goes into compulsory liquidation it will lose nothing and if the Government tries to recover the payment of taxes due from the present directors, then it can only attach the salaries of these people and this sum of Rs. 36.5 lakhs will not be realised even during the whole of their life time. There seem to be some people in the Income-tax Department who did not recover this sum of Rs. 36.5 lakhs from this company, i.e. B. R. and Sons Ltd., Bombay, during the last four years. And then, Sir, it was during these four years that the Income-tax Department was so careless as to pay certain refunds to that firm. It made certain refunds to that firm. And it also made certain refunds to those directors and also certain refunds to concerns in which those directors were also directors and shareholders. Sir, this is the

very limit of carelessness, if not collusion. Sir, I find that this concern, B. R. and Sons Ltd., Bombay, from which Rs. 36.5 lakhs are due, has since 1956 paid only Rs. 1.84 lakhs as income-tax, though during that period it has made an income of as much as Rs. 190 lakhs. Though it earned so much income, it pays only Rs. 1.84 lakhs as income-tax and allows the arrears to grow. The result is that now a sum of Rs. 36.5 lakhs is due from this company and the Government does not know how to realise it. Sir, there should be some system evolved by the hon. Finance Minister under which the officers who are responsible for this sort of negligence, amounting to collusion with the assessee, can be dealt with. There should also be a provision that in the case of deliberate refusal to pay the income-tax due, the assessee should be taken to a criminal court and sent to prison. We know that there are hidden incomes, secret profits, hidden reserves and hidden resources and the income-tax due to the Government will be paid out of these hidden resources only if the penal provisions of the Income-tax Act are really used. At the moment they are not used. Coercive measures are taken only against small assesseees and not against the real culprits from whom crores and crores of rupees are due.

With these words, Sir, I support the Bill and I hope the present Finance Minister for whom I have the highest respect and who is well known in the country for his integrity and honesty, will really evolve a method under which the penal provisions are automatically used and the people concerned are taken to the criminal court when they deliberately persist in refusing to pay their taxes.

SHRI BANKA BEHARY DAS (Orissa) : Mr. Vice-Chairman, Sir, there is nothing in this Bill which I have to oppose. All the same I want to give some ideas about income-tax collection and other proposals that are in this Bill. In my opinion—others also have said it—the taxable capacity in the country is gradually reaching the saturation point. The main reason

[Shri Banka Behary Das.] for this is not the rate of different taxes but the rise in the prices which is eroding into the standard of living of the common man. The other reason is the slow rate of growth of income in this country. These are the two basic causes due to which the taxable capacity of this country is gradually reaching the saturation point. And this leaves only a very small scope for the Finance Minister of the country to manipulate and get new and additional resources. Here I want to tell you, Mr. Vice-Chairman, how in spite of our planning and in spite of our investments to the extent of Rs. 30,000 crores during the last 15 years, the standard of living of the people is not growing as it should be.

As a result the growth in the national income is not there so that we can have a small portion of it for the national revenue. The latest Report of the National Income Committee indicates that in 1960-61 the *per capita* income was Rs. 310 whereas according to the preliminary estimate in 1966-67 it is Rs. 313.1. That means within seven years the per capita income at constant prices has gone up by only Rs. 3. So when the rise in the national income is at such a low rate, it becomes more difficult for the Finance Minister to get resources because after all the Finance Minister has to take only a portion of the national income to his exchequer. And unless then-very attitude to planning is completely changed, whatever might be his wishes, he will not be able to get any additional resources from this country. In this connection I also want to tell you one thing. What are the little resources that are still left with us? There is much of talk nowadays in the country, and particularly during the last Chief Ministers' Conference, about how to get resources from the rural sector. Here I feel there is a great misconception in the country as if there is a great scope to have income from the rural sector. If you go into the past Reports including the Taxation Enquiry Committee Report and also compare with the Report of the Mahalanobis Committee, you will find that the lower sections in the society,

to the extent of 30 to 60 per cent, whether in the rural areas or in the urban areas, have practically the same income *per capita*. Therefore even though there is so much of talk about getting revenue from the rural sector indeed you have very little scope to have any additional resources from the rural sector. There is another argument that is being advanced in the country that when 51 per cent of the national income is there in the rural sector there is perhaps a great scope there. I also admit that about 75 per cent of the commodity production of this country is from the rural sector, practically agriculture but if you see that about 75 to 80 per cent of the people of this country depend upon agriculture and the entire income is mostly distributed amongst them you will realise there is actually very little scope to get additional resources from them. Hardly 5 to 10 per cent only can be easily tapped in the rural sector and I agree here that there is scope for agricultural income-tax. When I say that there is a small elbow room for the Finance Minister to tap resources from the rural areas I mean this very small section in the rural areas who are to a certain extent living above the subsistence level. Here only the scope is there though it is not directly under the Finance Minister. When he is bringing this Bill to have more resources for the country, he should also have the courage to say that for calculating the income-tax he is prepared to add the rural income from agriculture to the urban income of a man so that the few people who are in this category could be brought within the scope of the higher slabs of income-tax and thus you can get more revenue. This is a field where there is a little scope but here too unless the State Governments cooperate to a certain extent it will be very very difficult for the Finance Minister to do it. I know some years back some of the States gave this power to the Central Government which they withdrew. But even then because there is a limited scope available here and because we have already reached a point of saturation, this field ought to be tapped also.

Secondly I want to say something about this entertainment expenditure of which there is mention in the amendment brought forward. There are some sections in the country who are opposed to this limitation on the expenditure for calculation of income-tax. I may remind the Finance Minister here that some years back we had the Expenditure Tax but we bade good bye to it because it did not give us good revenue. But the basic thing remains that the idea of incorporating a tax on expenditure in the fiscal structure of the country was to plug the loophole that was there in the Income-tax Act but under pressure of some people in the society we had to give it a go-by. In that context I am one with the Finance Minister when he is going to have *some* limitation on expenditure for calculation of income-tax. There is some justification in the argument that some of the entertainment expenditure incurred by the big Business Houses either inside the country or outside is for the purpose of furthering their trade interests. But here I say that this provision has been taken advantage of by the business community of this country to evade paying tax. They entertain different persons and of course they have to incur some expenditure on this account but quite large sums of money have been expended for other purposes with a view to evading income-tax. That is why, when we have done away with the Expenditure Tax, we should have some limitation on the entertainment that is being done by the big Business Houses of this country.

I also want to speak about the income-tax procedure. I am one with Mr. Arora who has given some ideas about penalty and how the Income-tax Department should function. Really, the Income-tax Department, if up till now, they have earned anything, they have earned the ill will of the common people here because due to evasion by the Big Business Houses the small man in the country is being taxed. Here I want to give two suggestions to the Finance Minister. Some days back I wrote him a long letter about it and I got a reply but I am very sorry to

say that I have been completely disappointed by the reply that I got. In that letter I had said that most of the money of the employees that comes in the shape of deduction of income-tax by the companies is not deposited in time by them though it is Government's dues. For one month or for a few days the companies are virtually the trustees of that money. Though the income-tax law has been amended and they have to deposit this money at the earliest opportunity, I know there are hundreds of cases in the country where this money which has been deducted from the employees is not deposited in the State exchequer. We are all Members of Parliament and we have so many staff here and every first week when we draw our salary a portion of it is deducted on the basis of certain calculations and it is deposited with the Government. But in spite of the provision in the income-tax law most of the business houses in the country are not depositing that money but are investing that in their own concerns. And after one or two years we find that some of these concerns go into bankruptcy and the dues of the Government that were with them have to be written off. That is why I want to suggest to the Finance Minister that the implementation aspect is very important and I know that the Income-tax Department has not been very careful about it.

Though they are expected to deposit it every month I can cite instances here of many business houses in this country where they have not deposited the amounts deducted from their employees even after one, two or three years. As a result the Government are not getting their dues in time. So, here I want to suggest to the Finance Minister that his Ministry and the Income-tax Department should be particular to see that every month whatever money is deducted is deposited immediately, failing which the heaviest penalty that the law provides should be imposed immediately. In most cases that penalty has not been imposed, although it is already two or three years. I think this aspect should be given attention to.

[Shri Banka Behary Das.]

Another aspect to which I have I drawn his attention is this. I am sorry to say he has not accepted it. Again, I want to plead with him that there is great scope for getting the income-tax dues from the business houses. I know that according to the present Jaw the definition of 'income' is such that the income of a Parliament Member or an employee of any institution comes within the scope of income, but the income of a businessman does not come within it. As a result, only after one year the officer of the department goes and tries to calculate the income of the business house. After that notice is served and it takes years to collect the amount. Under the Constitution of India the High Court and the Supreme Court can give a stay order as a result of which the money that is due to the Finance Ministry is not collected for years together. I want to here plead with the Finance Minister, though he has not agreed with me in his letter, that the definition of 'income' should be so amended that in the course of transactions of a big businessman, a certain portion of the money may be calculated as income-tax and it should come to the State exchequer straightway. As a result, after one year every now and then the department may not have to go to them to calculate it and then send a notice. Then, again, they go to the High Court and in the process the company goes out of existence and the Government is compelled to write it off. I think there is scope for this. Though the Committee that considered this discussed to a certain extent this aspect of the matter, I am sorry to say that this aspect has never been properly analysed, nor any solution has been found to it. I am sure if the Finance Ministry applies its mind, with the purpose of having a portion of the income of the businessman, by amending the definition, it can see that the money comes to the State exchequer immediately. After a year, when the company files its return it can be adjusted. Here I want to say that there is discrimination. When a Member of Parliament or an employee gets his money, immediately he has to

deposit a certain amount, through the Secretariat, in the name of the Finance Ministry, but in the case of a big businessman or a business house or private individual, he is allowed to utilise that portion, which is an invisible income, as an investment on his business and grow rich and at the last moment he has scope for swinding and cheating the Government. I know it is a very difficult calculation, but I am sure, having regard to the experience of the Income-tax Department with various businesses in the country, they can evolve a formula by which, along with every transaction, a portion of it can come to the State. Particularly when the State has become the greatest consumer in this country and most of the money of big business and private individuals is from the State exchequer itself, there is scope for the Government to see that the moment the Government pays money to a private individual, a portion may be deducted as income-tax to be adjusted at the end of the year.

Then, about the arrears in the morning there were so many questions. As far as I can recall it, a sum of about Rs. 350 crores is still lying with different persons. If you go back to ten years or fifteen years even you will find that we are getting the same reply from every Finance Minister, i.e. Rs. 350 to Rs. 400 crores are the income-tax arrears. All these difficulties arise only because the Income-tax Department is not very particular to realise the money. Here also I want to tell the hon. Finance Minister that I have some experience of taxation laws, especially commercial taxes. I have gone deep into it. Here though you can say that he is not directly interested in commercial taxes or the sales tax, the Government of India and its corporations pay a huge amount of money as commercial taxes to different institutions, corporations and companies. In the meetings of the Zonal Council the Finance Minister or the Home Minister who presides over them discusses these things, viz., how to have uniformity in the commercial taxes and sales tax. Here, there is great scope. When the question of



Plan comes up, the Finance Minister goes and asks them to raise the finances or resources required. Here I want to give you an illustration. Our Parliament Secretariat must be purchasing about a few lakhs of rupees worth of stationery from private individuals. When they purchase from private individuals they pay to the private individuals the sales tax, which, is actually due to the Government. Of course, in this case it is the due of the State Government. The Government pays it to the private individual and after one year or quarterly, according to various legislations in this country, the business people or the corporations or the companies pay back the sales tax to the Government. So, here is great scope. Not only that. You often see that the sales tax is not paid by these corporations and big business people to the Government promptly. Sometimes they retain it for two or three years. The sales tax which is due to the Government is always invested as a capital of the business house, firm or individual for furthering the interests of their own concerns. So, the law has to be amended. He should prevail upon them, through the Zonal Councils and through the Finance Ministers, to amend the commercial tax laws in this country and I am sure it can be done. I have discussed it with them in the Taxation Enquiry Committee, on which I was a member. We have seen that it is feasible. So, here if they prevail upon the State Governments, there is scope. All this commercial tax money or the sales tax money can be immediately deposited in Government account in the course of the transactions. Though it does not come directly under this Bill, I want to take this opportunity to plead with the Finance Minister that he should take the initiative in this matter.

Lastly, I want to say that the Finance Minister's job is not only to collect taxes. He has to see that the standard of living of the common man goes up and there is income growth. Only then he can tap a portion of the money. But here we find in this country that the Finance Minister's job is

only to enhance taxes. The other day in the course of the discussion on sugar when I pointed it out, I did not feel happy that the Finance Minister should be so touchy about it. I pointed out that even when the price of sugar per quintal was less than Rs. 100 the Government was collecting a tax of Rs. 26.65 per quintal. When the price is going up, it is the job of the Finance Minister to see that certain excise duties on essential commodities are lowered to help the common man.

SHRI MORARJI R. DESAI : How does all this arise from this Bill ?

SHRI BANKA BEHARY DAS : The same applies to excise duty on cloth. On certain varieties of cloth the excise duty extends to the limit of 30 per cent. Here I want to say that when there is a small elbow room left for the Finance Minister, when we have a very slow rate of growth, he should see that the duty is lowered. It is not his job only to see that all the resources are tapped. It is also his job to see that the tax burden, to a certain extent, is equitably distributed and when the question of equitable distribution comes, his job is also to see that the prices of essential commodities go down by lowering, to a certain extent, the excise duty. Though his concern is how to get more money, he should also consider these aspects.

While we give our full support to this Taxation Laws (Amendment) Bill, I request the hon. Finance Minister to consider all the aspects and try to come forward with some comprehensive laws when the next Budget comes.

Thank you.

SHRI A. G. KULKARNI (Maharashtra) : Sir, I rise here to support the amendments to the Income-tax Act and the Annuity Scheme and Entertainment Scheme recently introduced, as put before the House by the hon. Finance Minister. I have to make certain observations.

There was the Bhoothalingam Committee appointed by the Finance Minister for rationalisation of taxation laws, and in the Bhoothalingam Committee

[Shri A. G. Kulkarni.] report there were certain remarks about the annuity deposit. I do not understand why the Finance Minister has again chosen the same annuity deposit for taxation purposes. I could only imagine that there is utmost necessity of collecting more resources to meet the Gajendragadkar Award or some such other expenses. But here what I want to suggest is that this is not a good measure because it creates lesser amount of savings in the community for building the industries. If the Finance Minister would have thought of more avenues of taxation or additional taxation, say, for luxury items like nylon, powders and other type of luxury items, where more money is being spent by certain people, that could have been mopped up and used for this purpose. I am fully aware that there is utmost necessity of collecting resources. So, may I suggest to the Finance Minister that the present measure should be a short-term measure, and I hope that in the new Budget he will give due attention to the long-term problem of rationalisation of the income-tax laws and collection of income-tax.

In this respect may I suggest to him, as was rightly pointed out by my friends on that side, that there is a proposal in the Chief Ministers' meeting for agricultural income-tax. I vehemently oppose that suggestion because agriculture is not a sustained industry. You know, Sir, irrigation is not on a very large scale. There is meagre irrigation in this country which we have attained up to 20 per cent. Agriculture not being a sustained industry, where the rains cannot be taken as a certainty, when the agriculturists are found having a little money due to certain innovations, the Government should really not take recourse to agricultural income-tax. At the same time I agree with the Finance Minister that there is need of collecting money from rural areas, particularly from the affluent big landlords. For that purpose I will make a suggestion to the hon. Finance Minister. Nowadays deals are taking place in the rural areas at Rs. 10,000 per acre

or Rs. 15,000 per acre where the land grows sugarcane, tobacco or other cash crop. I may suggest to the Finance Minister, because this is a State subject that the States may be given a little bit less amount from the Centre and they may be requested to raise resources; that would have been really a better way of meeting such expenditure.

In the case of expenditure, tax, entertainment tax, etc., I have got my views. I do not agree with my friends there that this tax on entertainment or the cut on the entertainment expenditure is justified, because we are at present facing recession. There is an absolute necessity of increasing the trade, the business. There is an absolute necessity of increasing the exports. As you know, in the Western countries or even in any country whatsoever on the eastern side also business has become a high-pressure selling or sales service wherein money is required for spending for putting the deal through, not by way of corruption but as a genuine investment for striking a deal. So, I request the Finance Minister that such type of measures are not really going to help him to collect that much money. On the contrary, I have seen that the administrative expenditure of the Government is increasing. Right from Rs. 73 crores in the year 1951-52 it has gone up to Rs. 123 crores. On the other hand if you see the U.S.A. budget, it is \$ 9.6 billion right from 1962 to 1967. Even when there is a war going on in Vietnam, the U.S.A. expenditure today is only 10 billion dollars. Such a society is spending and keeping its expenditure on administration constant, why cannot we do it in our country? I can give a personal explanation. When I visit the Textile Commissioner's Office—I usually go there from my co-operative mill—lots of people are sitting with folded hands. I do not want any harassment to anybody, but why don't you divert them to other productive purposes? Unless you curtail this expenditure, any sort of this lavish expenditure is not going really to help our national effort.

On one point I want to say that, as Mr. Banka Behary Das explained, I do not understand his version that the entrepreneur should be taxed from the beginning as a salaried man is taxed. I do not understand that because income-tax is on profit. How can you understand whether that entrepreneur is going to earn a profit or is not going to earn a profit? Suppose he earns a profit in one year, next year he may incur a loss.

SHRI BANKA BEHARY DAS : When a Parliament Member gets Rs. 500, is he earning a profit?

SHRI A. G. KULKARNI: When a Member of Parliament gets Rs. 500, it is a surety. He is getting Rs. 500 for the first year or the second year or the third year unless Parliament again increases it. In the case of an entrepreneur if you change the definition of income, it will be ultimately ruining the entrepreneur himself. How can a small industrialist know whether he will get a profit? (*Interruption*) There is provision for advance payment. . .

SHRI BANKA BEHARY DAS : I said it will be deposited in the course of business, but after one year when we calculate, adjustment will be made.

SHRI A. G. KULKARNI : There is no such provision possible on this earth because no one knows whether he will earn so much or he will not earn so much, because entrepreneurship is a risk, is a hazard; it is an industry, and a salary is a salary. I do understand that the salaried people have to pay that income-tax, but there is a chance, a risk of losing the income-tax in the case of entrepreneurs. But there are other schemes of advance payment, etc. For that the Government is fully authorised. In this respect another aspect was dealt with. It is worth noting that there is much evasion of income-tax. Even the sales tax officer has got ample power to search while the income-tax officers have not got that much power. Why don't you empower your income-tax officers to have equal status with the sales tax officers of a State Government, so

that vast amounts which are not detected can be unearthed on a very large scale?

Similarly another point I want to submit is about the collection of income-tax and the entire working of the Income-tax Department. I have already submitted to you a long memorandum on this, I do not want to repeat it here, I do not want to take the time of the House. But I have got another suggestion. The income-tax officers are a very hard-pressed lot in the districts. The officer is not provided with accommodation. That is why they are anyway obliged to stay somewhere wherever the landlord takes the advantage of his obligation for providing him a space. It will be better if the Income-tax Department provides him some house, so that the income-tax authority can pass orders with a little bit of self-respect.

There is another point. I fully agree with Shri Banka Behary Das that the entire planning is wrong. Why do these things happen? It is because there is no balance maintained between agriculture and industry, between big industry and small industry, between public sector and other sectors. All things are not properly managed. Unless these things are attended to, I do not think there will be any necessity for such increase in annuity deposit, etc. But I do hope that the Deputy Prime Minister and Minister of Finance will take care of that. In the case of Wealth Tax also, the Wealth Tax rates which are prevailing at present should have been really doubled on unproductive assets of the Wealth Tax assessees, just like jewellery, houses, etc. They should have been really doubled because there is no necessity to exclude them.

With these words, I have done.

श्री विमलकुमार मन्नालालजी चोरड़िया  
(मध्य प्रदेश) : उपसभाध्यक्ष महोदय, यह जो  
हमारे वित्त मंत्री जी द्वारा विधेयक प्रस्तुत  
है, कराधान विधियाँ (संशोधन) विधेयक,  
इसमें तीन बातें चाही गई हैं, एक, वाषिकी  
नियम की दर में वृद्धि, दूसरा, मनोरंजन

[श्री विमलकुमार मन्नालालजी चौरङ्गिया] व्यय पर नियंत्रण लगाना और तीसरा, वकाया रकम जो एडवान्स पेमेंट किया गया उसकी व्याज दर में वृद्धि होना। उपसभाध्यक्ष महोदय, ये जो तीनों बातें हैं उनके लिए अध्यादेश जारी करना क्यों आवश्यक समझा गया यह अभी तक मेरी समझ में नहीं आया। जुलाई में ही जो सेशन हुआ था उसमें वित्त विधेय पारित किया गया था और सारे राष्ट्र ने यह सोच लिया था कि अब कम से कम वर्षभर तक इसकी व्यवस्था के अन्तर्गत काम करना है और इस के अन्तर्गत काम चलाना होगा, लेकिन 14 सितम्बर 1967 को ही अध्यादेश जारी करके चाहा गया कि उस में संशोधन किया जाय। संशोधन अध्यादेश द्वारा किया जाय, अत्यावश्यक हो तो उसके लिए इन्कार नहीं किया जा सकता। प्रश्न यह है कि क्या यह अध्यादेश जारी नहीं किया जाता और 14 सितम्बर से नवम्बर में जो सेशन हुआ इस बीच की अवधि में कुछ ऐसा हो जाने वाला था जिसकी वजह से हमारी बहुत बड़ी क्षति हो जाती, हमारे खजाने को बहुत बड़ा नुकसान हो जाता, या किसी के साथ बहुत बड़ा अन्याय हो जाता? या फिर ऐसा होता कि हमारा कोई नया संशोधन जो गए फाइनेन्स बिल में आ गया हो जिसकी वजह से उसको लागू करने में कठिनाई मालूम पड़ती हो या जनसाधारण को उसके अमल में कठिनाई मालूम पड़ी हो तो उसमें संशोधन के लिए अध्यादेश लाते तो कोई आपत्ति नहीं होती, किन्तु, उपसभाध्यक्ष महोदय, इन तीनों बातों के लिए अध्यादेश लाना, मेरे नम्र मत में, न्यायसंगत नहीं कहा जा सकता, यह अपने अधिकारों का दुरुपयोग ही कहा जायेगा, इसको ठीक नहीं कहा जा सकता। यदि अध्यादेश लाना ही था तो जो छोटे छोटे व्याज इकट्ठे करने वाले हैं, कमीशन लेने देने वाले हैं, उनके लिए जो नवीन परम्परा डाली है अपने विधान में कि एट सोर्स ही डिडक्शन करके अपना रिटर्न देना पड़ेगा, हिसाब देना पड़ेगा, यह जो परेशानी का कारण बनता

जा रहा है जिसकी वजह से लोगों को काफी कष्ट हो रहा है कि एक निश्चित अवधि के अन्दर सूचना नहीं दी, रकम जमा नहीं कर दिया, तो उनसे खिलाफ कार्यवाही की जायेगी, यह जो आपत्ति थी इसको दूर करने के लिए, इसमें परिवर्तन करने के लिए अध्यादेश लाते। आप टैक्स जो आपकी इच्छा हो, जिस परसेंटज से चाहे लें, उसके लिए आपत्ति नहीं हो सकती, मगर जो यह कठिनाई उसमें पैदा होती है उसको बढ़ाया जाना न्यायसंगत नहीं था और इसे रोका जाना चाहिए था। उसके लिए अध्यादेश लाते तो बहुत बड़ा स्वागत करते, मगर इन छोटी चीजों के लिए अध्यादेश लाना ठीक लगता नहीं क्योंकि उसके लिए कोई बड़ा कारण नहीं।

उपसभाध्यक्ष महोदय, यह परम्परा हो गई है। 1922 का जो हमारा कानून था उसको इसलिए रिजेक्ट किया क्योंकि उसमें काफी संशोधन हो गए थे, इसलिए उस में परिवर्तन करना आवश्यक समझा गया। 1961 में बहुत बड़ा अच्छा विधेयक प्रस्तुत किया गया था और उसको यहां कानून की शक्ल दी गई, मगर 5-6 सालों में उसमें भी 200 संशोधन किए गए। इतना अच्छा विधेयक था, उसमें भी थोड़ा स्थायित्व नहीं ला सके, बार बार परिवर्तन करते रहे हैं। लोगों के मन में यह आता है कि हर साल अपना दिमाग लगाओ, व्यवसाय करने वाले, व्यापार करने वाले रोज उसको पढ़ नहीं सकते, मजबूर होकर जो आयकर की प्रकॉट्स करते हैं उन दलालों को पैसा देकर अपना काम चलवाना पड़ता है। टैक्स दो मगर साथ ही साथ जो आयकर की वकालत करने वाले लोग हैं उनको दलाली के आधार पर फिक्स्ड रकम दो। व्यापारी लोग कहते हैं कि इस सरकार के कानून प्रतिदिन बदलते रहते हैं, हम उसे खुद तो समझ नहीं सकते इसलिए आप दलाल हमारा काम करो, सरकार जो नए कानून बनाती है उनको तुम देखो, हमारे से पैसा ले लो। किसी का सौ रुपया है, किसी

का दो सौ रुपया है, वह टैक्स के रूप में देना पड़ता है। इससे कुछ बेकार लोग पल जाते हैं, हमारी बेकारी की समस्या हल हो जाती है। हम जो प्रतिदिन अपने कानूनों में परिवर्तन करते रहते हैं उसका परिणाम तो यही होगा कि कुछ लोग अपना व्यवसाय तो चला सकेंगे, मगर राष्ट्र का हित नहीं हो सकेगा। आपके पीसमील असेसमेंट चलते रहते हैं, इससे मजबूर होकर जो व्यवसाय करने वाले हैं उन्हें उनके पास जाना पड़ता है, आपका टैक्स तो देना ही पड़ता है, उधर भी परसेंटेज बंधा रहता है, वह टैक्स भी देना पड़ता है, वह आपकी ट्रेजरी में नहीं आता, समाज के हित में नहीं आता, मगर एक व्यक्ति के हित में आता है। रोज संशोधन होते हैं तो उसका परिणाम यही होगा।

जहां तक डिपार्टमेंट की हालत की बात है, आज सवेरे प्रश्नोत्तर काल में माननीय मंत्री जी ने बतलाया कि 229 करोड़ 38 लाख रुपया आयकर का बकाया है। यह बकाया क्यों हो गया? क्या हमारे कानून में कुछ ऐसी व्यवस्था है जिसके कारण लोग इतना बकाया कर देते हैं या कुछ प्रशासनिक अव्यवस्था है जिसके कारण यह बकाया रहता है? मेरे नम्र मत में कानून में कमी हो ऐसा लगता नहीं। अगर है तो क्यों नहीं हमारे मंत्री जी संशोधन ला कर इस बकाया की स्थिति को समाप्त करते। यह बकाया की स्थिति हमारी प्रशासनिक अव्यवस्था के कारण है। कुछ तो ऐसा है कि काम ज्यादा है, अधिकारी कम हैं, कहीं ऐसा है कि अधिकारी इतने लापरवाह हैं कि समय पर उनका निपटारा नहीं कर पाते और कैसेज पेंडिंग रहते हैं। जब कैसेज पेंडिंग हो जाते हैं तो उसके लिए यह बंधन है कि इतनी अवधि में विचार कर लेना चाहिए, निर्णय कर लेना चाहिए, तो फिर एंड हांक बेसिस पर निर्णय कर देते हैं। फिर अपील में मामला जाय तो अपील वाले निबटाएंगे, एसेसी (assesse) जानें, उनका काम तो हो गया, उनकी तरफ से आगे बढ़

गया। कोई भी कारण हो, जहां लापरवाही हो उसकी वैसी व्यवस्था की जानी चाहिए, जहां कानून में कमी हो तो उसको ठीक करने का प्रयत्न करें, लेकिन जो बकाया की परम्परा है उसको ठीक करना पड़ेगा। बकाया से कोई लाभ नहीं होता, न उससे राष्ट्र को लाभ होता है, न व्यक्ति को लाभ होता है। कई लोग मर जाते हैं, दे नहीं पाते, कई फरार हो जाते हैं, परिणामस्वरूप हमको प्रतिवर्ष कुछ न कुछ रुपया राइट ऑफ करना पड़ता है, बट्टे-बाते लिखना पड़ता है। इससे हमारे राष्ट्र का बड़ा भारी नुकसान होता है। यदि हम समय पर एसेसमेंट कर लें, समय पर वसूली कर लें तो बट्टे-बाते लिखने की आवश्यकता नहीं पड़ सकती और हमारा धन भी बच सकता है। इस दृष्टि से मैं नम्र निवेदन करूंगा कि हमारे मंत्री महोदय इस दिशा में भी कुछ सोचें। आज उन्होंने कुछ बताया प्रश्नोत्तर काल में कि उन पर बन्धन लगा देंगे, आगे से वसूली करेंगे, मगर इस पर और गम्भीरता से विचार करके जो कुछ कर सकें करने का कष्ट करें।

इस बिल के संशोधन के द्वारा एन्यूटी डिपोजिट की दर को भी हमारी सरकार बढ़ाना चाहती है ताकि लोग बचत करें, वह हमारे काम में आ सके, राष्ट्र के निर्माण में भी आ सके। यह बचत का सिद्धान्त बहुत अच्छा है, इसे करना चाहिए, करवाना चाहिए। इसके तरीके में मतभेद हो सकता है, परसेंटेज में मतभेद हो सकता है कि कितने परसेंटेज कराया जाय, कितने परसेंटेज न कराया जाय। जहां तक तरीके का सवाल है, यह सजेशन भी दिया गया था कि प्रावीडेन्ट फंड के द्वारा किया जाय, उनसे मासिक ले लिया जाय और फिर 50 साल के बाद या 15 साल के बाद एक रकम एक मुश्त दे दी जाय। आज बचत की रकम लेते हैं, फिर इन्स्टालमेंट्स में देते हैं। एक तो एक मुश्त नहीं मिल पाती, पीसमील मिलती है, जिससे खर्च में चलती रहती है और वह जमा नहीं हो पाती। यह एक

[श्री विमलकुमार मन्नालालजी चौरडिया]  
हाथ से लेना, दूसरे हाथ से देना उपयुक्त नहीं। इससे आपका आवेकित्व पूरा नहीं होता और उसके कम्प्लीकेशन्स और बढ़ जाते हैं। क्यों नहीं इस सिस्टम को परिवर्तित करके वार्षिक लिया करें और निर्धारित अवधि के बाद जब वह रिटायर होने की स्थिति में आए या वृद्ध होने की स्थिति में आए, 50, 55 या 60 साल के समय एक मुश्त रकम दे दी जाय जिससे वह अपनी व्यवस्था करे। अभी जो यह व्यवस्था है वह ठीक नहीं है। 4 P. M. और फिर इतना ही नहीं, इसमें सब मतभेद हैं। आपने जो कमेटी बैठाई थी Rationalisation and Simplification of Direct Taxation Laws.

की, वह भी एन्युयिटी डिपॉजिट के बारे में स्पष्ट कहते हैं, पृष्ठ 3 पर एन्युयिटी डिपॉजिट के सम्बन्ध में कहते हैं :

"... It is, therefore, clear that even from the point of view of raising comparatively short-term resources' the value of the scheme is not particularly great. I would, therefore, strongly recommend that the scheme be abolished with effect from the current year."

तो यह तो इस रिपोर्ट में है। लोग तो यह अपेक्षा कर के बैठे थे कि यह रिपोर्ट निकली है तो जरूर कुछ न कुछ होगा, कुछ न कुछ हल होगा और इस पर हमारी सरकार विचार करेगी, एक्सपर्ट की राय है, मगर यहाँ तो ऐसा है कि मांगने कुछ गये और खो कुछ आये, वह मांगने गये थे कि एन्युयिटी डिपॉजिट समाप्त हो लेकिन यहाँ तो परसेंटेज और बढ़ गया। तो इस हिसाब से यह कुछ ठीक तरीका लगता नहीं है। रेट के बारे में मतभेद हो सकता है और वह चल सकता है कि अधिक रेट पर विरोध हो सकता है और कम रेट पर पक्ष हो सकता है, इन सारी बातों के बारे में चर्चा करना नहीं चाहता लेकिन यह निवेदन है कि यह वार्षिकी निक्षेप की जो आपकी योजना है उस पर पुनर्विचार कीजिये, एक्सपर्ट्स की राय है, आपके

आफिशियल जो हैं उनसे व्यक्तिगत रूप से या जैसे भी हो जानकारी लें और वह जानकारी आप लेना चाहेंगे, उनकी भी यही राय है। आपकी जो नीयत है, आपका जो मुख्य आवेकित्व है, मैं उससे मतभेद नहीं रखता, बचत कराइये और उसे राष्ट्र के हित में लगाइये लेकिन बचत को लेने का जो सिस्टम है उसके बारे में मतभेद है। पता नहीं क्यों आपके साथ ऐसा होता है। कम्पलसरी डिपॉजिट की स्कीम निकली थी और उसमें यह लगाया कि जिनकी हजार या 1200 रुपये की आमदनी है उनको भी कम्पलसरी डिपॉजिट देना पड़ेगा, परिणाम यह हुआ कि पूरी की पूरी स्कीम ही स्कैम करनी पड़ी, उसको प्रैक्टिकल रूप में रख कर इतना सीमित नहीं रखा कि आयकर से ही यह सम्बन्धित रहेगा, तो हो सकता था कि वह हिसाब-किताब चलता रहता। तो मैं प्रार्थना करूंगा कि मेरा तो ऐसा अनुभव है कि यह प्रैक्टिकल नहीं लगता है, आपका प्रैक्टिकल लगता हो लेकिन मैं अपना मत रखने को विवश हूँ।

दूसरे, जहाँ तक एक्सपेंडिचर टैक्स का सवाल है, एक मंत्री आते हैं वह कहते हैं कि एक्सपेंडिचर टैक्स से छूट दे दी जाय और दूसरे मंत्री आते हैं तो बन्धन लगाते हैं और इसमें यह क्रम चलता आ रहा है। मैं तो इस परम्परा में विश्वास करता हूँ कि खर्चों पर बन्धन लगाना चाहिये, हमारा देश ऐसा नहीं है कि सैकड़ों रुपये प्रतिदिन बड़े बड़े होटलों और बड़ी बड़ी कारों में घूम कर के वेस्ट करें, इस पर प्रतिबन्ध लगाने को मैं सहमत हूँ। आपने जो कदम उठाया उससे मैं मतभेद नहीं कर रहा, मगर जो यहाँ राष्ट्र की एक एक्सपेरिमेंट लैबोरेटरी चलती है कि जो आता है वह अपने साथ साथ नवीन नवीन बात ले कर आता है जैसा कि एक्सपेंडिचर टैक्स के सम्बन्ध में चलता है कि पहले जो मंत्री जी थे वह दूसरे स्थान के थे और उन्होंने छूट दे दी थी और अब यह

है, तो हमारे राष्ट्र को लैबोरेटरी बना कर चला जाय यह उचित नहीं रहेगा। मैं अपने कांग्रेस के सदस्यों से प्रार्थना करूंगा, कि यों तो मैं इस सिस्टम का पक्षपाती हूँ लेकिन आप भी जरा ध्यान रखा करें कि कोई एक्स-पेरिमेंट करने ही न आये, यह राष्ट्र के हित में नहीं।

**श्री नेकी राम (हरियाना) :** अब जो आयेंगे तो देखा जायगा।

**श्री विमलकुमार मन्नालालजी चौरडिया :** उस वक्त तो आपकी बुद्धि को विभ्रम हो जाता है।

**श्री मोरारजी आर० देसाई :** आपको तो निश्चित रहती है।

**श्री विमलकुमार मन्नालालजी चौरडिया :** मैं तो आपके साथ हूँ इस मामले में, आपसे विरोध नहीं कर रहा हूँ।

अब जहाँ तक यह रेट बढ़ाने की बात है कि 6 परसेंट से 9 परसेंट हो, 9 परसेंट जो एडवांस दिया गया उसमें भी हो और जो बकाया है उसमें भी हो, बाजार में रेट बढ़ गया है, इसके लिये मैं कोई विशेष चर्चा का कारण नहीं बना सकता परन्तु 9 परसेंट के बजाय अगर 6 परसेंट ही चलता तो भी कोई आपत्ति नहीं थी, इसके लिये मुझे कोई विशेष विरोध नहीं क्योंकि आपने जो जुडीशस एप्रोच लिया है कि जो एडवांस पेमेंट कर देगा उसको भी 9 परसेंट मिलेगा और जो बकाया है उससे भी 9 परसेंट लेंगे तो ठीक है वह जल्दी पेमेंट करना चाहेगा और जो एडवांस पेमेंट करता है उसमें यह रहेगा कि जल्दी से केस का निपटारा हो, तो इस दृष्टि से यह बुरा नहीं है, मगर जहाँ तक एनुयिटी डिफाजिट का सवाल है आप उस योजना पर पुनर्विचार करें, जो एक्सपर्ट्स की राय भी है और जो साधारण लोगों की भी राय है उसको भी ध्यान में रख कर कोई दूसरी स्कीम ऐसी चलायें जिससे कि लोगों की बचत का उपयोग हो सके। धन्यवाद !

**SHRI NIREN GHOSH (West Bengal) :** Mr. Vice-Chairman, Sir, I take this opportunity to make a few points because every year the Central Government comes before Parliament with a heavier dose of taxation on the common people with relief sometimes to the top layers of the richer section. That has been the practice—more burdens on the common people and more and more relief in various ways to the richer section. And what is the scheme ? Resources must be tapped. That is the only scheme.

Now I would like to ask: what has happened to the recommendations made by Prof. Kaldor ? Only one or two or three of his recommendations were accepted and the other entire system whatever he proposed, has been put into cold storage. The system by which we could have tapped resources from the richer sources was very loose under the present capitalist system of society. Now by this time at least Rs. 4,000 crores have gone into the black market through evasion of taxation. I would like to know what the Finance Minister proposes to do about it. He is a very self-disciplined person. Naturally, I would like to know how he proposes to discipline his friends who have created such a huge black money. That is the first thing.

About taxation arrears, nobody knows how many hundreds of crores of rupees of arrears have been written off. Somehow or the other he will come out with the excuse that the laws of the land do not permit him to get at them. If that is so, then it was his obvious duty to amend those laws so that they could not escape the drag net. I suppose during the last 15 years another Rs. 3,000 crores—I do not know what is the amount, it is for the Government to say that—of arrears have been written off. Now, in the face of those circumstances, Mr. Vice-Chairman, Sir, how can Parliament and the people put up with the Government's proposals every year 'for a heavier dose of taxation, with more and more burden on the common people, poorer sections ? That is

[Shri Niren Ghosh.] the big problem that I would like to pose and I would request him to answer it.

I would also like to take up another point. Almost the entire sphere where taxation can be levied has been reserved for the Centre. Now practically the Centre is holding the States of India at a ransom and they are being admonished day in and day out by the Deputy Prime Minister that they must learn to cut their coats according to the cloth available. That is his advice. Don't make overdrafts; don't have planning, curtail spending or don't try to give any relief to the people. There also they try to put more burdens on the people. Now the States have become merely glorified municipalities and it is a sort of a black-hole tragedy that they are subjected to. The British invented a story about the black-hole tragedy, but here is the real case. The States are being suffocated to death and are being put in a strait-jacket. . .

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA) : Mr. Niren Ghosh, is all this relevant to this Bill ?

SHRI NIREN GHOSH: Yes, the taxation laws must be revised.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA) : This is not a Budget debate where you can bring in anything.

SHRI NIREN GHOSH: The taxation laws should be revised. That is the point I want to make. And more powers should be given to the States somehow or other. If you don't amend the Constitution, take some other means; do something about it. I do not want to elaborate. I Just wanted to make this point in a few words because it reflects the demands of all the States of India. So I am just taking it in my stride during the course of my few remarks on this Bill.

Now I would like to mention another point. The Finance Minister said— and he always says this whenever any tax evasion or any scandal or any fraud is brought to his notice in Parliament—that everything that is

possible within the four corners of law is being done and if nothing more can be done, he is not to blame and the Government is not to blame, and so we must give him a good certificate on this score. . .

SHRI MORARJI R. DESAI : Sir, I have never asked for any certificate from the hon. Member.

SHRI NIREN GHOSH: You don't want any certificate from the House ?

SHRI MORARJI R. DESAI: I am talking of the hon. Member. You are not the House.

SHRI NIREN GHOSH : I am speaking in the House. You want a certificate from the House...

SHRI MORARJI R. DESAI: I do not want any certificate, Sir.

SHRI NIREN GHOSH: You don't want any certificate from the House itself ?

SHRI MORARJI R. DESAI : No, from the House or from anywhere.

SHRI NIREN GHOSH: That is a valuable admission also, anyway. Now I would like to cite one or two instances. Now, what about the Ruby General Insurance ? Sometime back in reply to a supplementary question he said that...

SHRI MORARJI R. DESAI: How does that arise here ?

SHRI NIREN GHOSH : . . . legal authorities have advised him that no more steps can be taken . . .

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): Again, Mr. Niren Ghosh, how does it come under the purview of this Bill ?

SHRI NIREN GHOSH: Taxation.

SHRI MORARJI R. DESAI : This is not a Finance Bill.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA) : What you say has nothing to do with this Bill.



SHRI NIREN GHOSH: The Audit Report was suppressed. It was not placed before Parliament. And he will say that the Attorney-General advised him not to take any measure. Then, why did you suppress that report? At least, place it before the House. The auditors were appointed by the company. That was a preliminary report. Place it before the House and see whether the shareholders can . . .

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA) : I would request you to limit your remarks to the Bill before us.

SHRI NIREN GHOSH : ... their own prosecute the company. Nothing has been done. He would say that his legal advisers have advised him that nothing more is to be done and he has chosen not to place that report on the Table. Everybody knows it but officially it can be owned up. Nobody can say this is the report unless the Government places it on the Table of the House or the company distributes it to the shareholders. So it stands to reason that the Finance Minister should make some comments on it. Merely saying that he has been advised that nothing can be done does not clear him . . .

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA) : I will advise him not to make any comments on it to-day.

SHRI NIREN GHOSH: Don't advise him that way.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA) : I will, because it does not come under the present Bill.

SHRI NIREN GHOSH : Please don't advise him that way. Then I would like to say something about the famous tax evasion case of Ram Ratan Gupta. Now, after the officers attached to the Income-tax Investigation Commission had seized certain books of account of M/s Beharilal Ram-charan, Kanpur, from a house in Vara-nasi, the Guptas were found to have had a secret income of Rs. 1,19,79,524. Now, anybody on this score should

have been punished then and there. When a case of fraudulent hiding of income and cheating of the public exchequer comes to light, there should be some punishment. If there is no provision in the taxation laws for direct punishment, he can devise some penal measure so that they will have some fear. But nothing was done. An agreement was arrived at that Rs. 51 lakhs of tax on secret income should be paid in certain instalments. But they defaulted in the payment of the instalments also. It increased and again came up to Rs. 53 lakhs. Then what did they do? These fellows went to the court. These Gupta brothers filed false affidavits. And on the basis of false reports and affidavits, his Department, the Finance Department which deals with taxes agreed to write off Rs. 30.41 lakhs. So a sum of Rs. 30.41 lakhs was written off. So they were given a gift instead of being punished. Then when these things were raised again and again in the House, a fresh investigation was ordered. The investigation made by the Income-tax Department has established that the Guptas have resorted to fraud and have suppressed their assets and that they can be and should be prosecuted in a criminal court and their properties can be seized; and until action like this is taken, the Guptas will not pay any of the tax arrears. But because the Guptas are patronised by certain bigwigs in a certain party in U.P., no action is being taken. From a calculation, it seems that even now a sum of at least Rs. 1 crore is due from them. Then he mentioned about Gwalior Rayons. The sum involved is Rs. 5 crores. How can a big firm go to the extent of cheating the Government to the tune of Rs. 5 crores?

SHRI MORARJI R. DESAI: It is not Rs. 5 crores.

SHRI NIREN GHOSH: Well, they paid something and some agreement has been reached. And he is advised that nothing can be done. May I suggest that when such big cases of fraud and tax evasion come to light, those persons should be arrested under the Preventive Detention Act and put

[Shri Niren Ghosh.] behind the prison bars for a certain period of time ? That would at least attest to the honesty and integrity of our Finance Minister. Let him consider this. If a small fry is caught, they come down upon him with a heavy hand instantly. But these two instances of tax evasion by the Birlas and Guptas are classic; they are a class by themselves. There are others also. It is known. Now and then it comes up. So I would say that the taxation laws should be revised. Some penal provision must be there. In the case of Mundhra something was done. His properties were assessed and seized. Why not do the same thing in the other cases also ? Sir, he chose to cite one example in which perhaps there was no escape for the Government itself other than to go in for prosecution and all that. But for Birlas and Guptas I suggest there should be some penal provisions made at once. Are their activities not anti-social ? If not, what else are they ? But they won't be arrested under the P.D. Act. Only we will be arrested under the P.D. Act. In Bengal they have already been arrested under the P.D. Act. The P.D. Act should be used against these anti-social elements. Sir, we find that our Finance Minister is a good puritan. He is a prohibitionist. He feels that the country should go dry. Now in order to establish his integrity and honesty he should take some effective stand on those questions. Otherwise it will mean only a question-mark, i.e. double standard. I do not like that Shri Morarjibhai should come under the cloud of suspicion. So I would request him to do something about these things and let us see what he does. Thank you.

SHRI MORARJI R. DESAI: Sir, I can very well appreciate the anxiety of all my hon. friends to help me in recovering more taxes which are in arrears and I shall certainly try to profit by all the suggestions that they have made. But I am afraid I won't be able to speak about all of them because they are not relevant to this Bill at all. I have several times explained these matters but if some of my friends are not satisfied and want

to walk out and not hear any replies, what am I to do ? (*Interruption*) I have not forced him to come back. He can go away if he likes. I have no objection to it. But it is not a good practice to make some allegations and afterwards walk out without hearing the Government replies. That is why I mentioned it. Otherwise I would not have mentioned it at all.

Sir, there is no question of Government trying to shield any people who evade taxes. All the steps that can be taken are being taken but my hon. friend, Shri Niren Ghosh, thinks that they are not being taken. Well, what can we do to a suspicion which is there always ? It is very easy to say all these things when one has not to take steps about them. It is those who have to take steps about them, who have got to take into consideration the law before them. This is a country which is governed by the rule of law and under the law whatever steps can be taken have to be taken. It is also complained here that there are people who go to courts and evade taxes that way. How can we prevent them from doing that ? On the contrary it would be wrong to prevent them from going to courts. What is the law meant for ? I think it is very wrong to say that they should not take advantage of the law, if they can take advantage of it. We can amend the law where we find that the law requires amendment but whatever may be the amendment ultimately, it will be the law which will have to be implemented and if a person can take advantage under the law by going to a court, we cannot deny him the right to do that. That does not mean that we should not take steps which we are entitled to take, and we are taking them. We are contesting those cases and trying to see that they do not succeed but if they succeed in law and the Judges decide in their favour, we cannot complain against the Judges. We can only prepare ourselves better in future in other cases. Also it is not possible in every case to get a judgment in favour either of the Government or the person who goes to a court. Therefore in these matters

some balance of judgment should be there and allegations should not be made without taking the facts into consideration.

There are cases in which people have j evaded the moneys due to the Government, which they have collected themselves. For example some companies ■ are entitled to recover money from their employees as income-tax to be paid to the Government. But that has not been paid to the Government. But there are only 10 cases which have come to light so far and in all the 10 cases prosecutions have been launched. In one case there is already a conviction. The other cases are going on. Therefore let us not assume that the Government does not want to prosecute them. Government wants to prosecute every one of them without exception, and that is what is being done.

In the case of Shri Ram Ratan Gupta, who seems to be a case of perpetual mention in this House, I had said in the morning that steps are being taken to recover the moneys from him. About Rs. 7 lakhs have already been recovered out of Rs. 36 lakhs but if there are no assets of the company which one can attach, what is one to do? One has got to find out ways and means to do it. Therefore the account books were examined from which we found that some other people owed money to him. Well, we attach those people's things also. In one case we have attached some of the moneys because we thought that was a false account shown. He has gone to the court and we want to fight that case. So, all those steps are being taken. Beyond that what can we do?

In the matter of arrears, which is also a matter of perpetual argument in this hon. House, I have explained what the arrears mean. There will never be a time when there will be no arrears. Let that be understood because only when moneys become due the processes of recovery can be set in motion. But until the processes are set in motion, all those are arrears. Out of the income-tax

dues totalling more than Rs. 600 crores if there are Rs. 300 crores which can be recovered but which are not recovered immediately, it does not mean that they are large arrears. I should like to lessen that as much as possible. And it is not true that advance tax is taken only from the hon. Member. Advance tax is to be paid by all assesseees. Only in the case of those up to Rs. 2,500 more than the minimum limit no advance tax is to be paid. But above that all have to pay advance tax, whether it is companies or individuals. That is done to ensure that the current dues are paid. But in the matter of past dues which might become disputable it becomes difficult to recover them immediately because either the courts stay them or the appellate courts might do that or the Commissioners might do that in suitable cases. And when there are cases like that, they also are shown as arrears. But that does not mean that steps are not being taken to recover them.

Then there are cases in which people who have been assessed to large sums have lost moneys, and then the money cannot be recovered from them. All the same, these are also carried forward in order to find out how best one can recover the money from them. Ultimately, at the end of a few years, when one finds that it is impossible to recover the money from them, then it is written off. Of course there is a provision for putting such people in civil jail. But putting such people in civil jail will be useful only where we have some reason to believe that the money will be paid by somebody on their behalf. Otherwise, it will be additional expenditure for Government, because Government will have to maintain them in jail and, therefore, it is no use talking of that step unless we are sure that we will get that money, and in such cases, sometimes, steps are being taken.

We are also trying to revise the whole system of taxation, so that it becomes simpler and easier of implementation. Also penalty is being levied which will make it a deterrent for people to evade taxes. All these steps are being considered, but under

[Shri Niren Ghosh.] the Constitution they have got to be legal and this is what takes time in considering them,

My hon. friend, Shri Dahyabhai Patel, argued that this Ordinance should not have been brought in. I agree with him generally that Ordinances should not be brought in as far as possible. But in a case like this, where we had to take time to discuss with employees or their representatives, and other people, we could not come to any conclusion before the last Session ended. But soon after that we came to conclusions in the discussions with them when it so happened that the last Session had ended & this Session was to come afterwards, about two months after that. We had to implement these in the meantime and therefore we had to bring in the Ordinance. There is nothing in this Ordinance which can be objected to. The increase in Annuity Deposit has not been made merely in order to recover more revenues—of course they are also necessary in order to set them off against the extra costs that Government has to bear for giving more dearness allowance from the 1st of October and for putting the arrears in their Provident Fund accounts; but it is also in order to see that, when the employees are made to put moneys due to them as savings, the other people, who receive higher incomes, are also made to put some more savings in order thus to see that the sacrifices are equal to some extent—even then they would not be equal. We chose the Annuity because that is current just now. I do not consider it a very ideal arrangement—that I had said—but that requires also consideration. One hon. Member cited Shri Bhoothalingam's report. It is true that he had given that report, but unless one can find out a substitute method, which is better and which is unobjectionable, to get the moneys that are obtainable through the Annuity Deposits, it is no use giving up that measure which gives resources to Government at a time when resources are difficult to find. It is therefore that it was continued, as I said last time at the time

of the Budget. But these things are all being considered in their proper perspective, and by the time the next Budget comes I hope we will be able to devise some methods which will see that the objections are removed and proper methods are devised.

Now the question of adding rural income to urban income does not depend upon the Central Government. We can only make the suggestion to the State Governments. My hon. friend here has some fantastic idea that the State Governments are treated like the Black Hole of Calcutta. Imagination could not have run more riot. This is all I can say. No States have told me that they are treated as municipalities. We cannot say that, because that is not so. We treat them as respectfully as is due to them.

SHRI NIREN GHOSH : They have made the demands on you.

SHRI MORARJI R. DESAI : My hon. friend also goes on demanding. That does not mean that the demand is right. If the demands are not right, we have to tell them that the demands are not right. But that does not mean that we are treating them in any way badly. My hon. friend thinks that here there is endless treasure from which whatever demand comes can be satisfied. But that is not the position. All this is explained. These are being considered. These are being discussed. And the States also have to recognise—and they do recognise—that there are difficulties which cannot be surmounted by the Central Government also. Therefore it is no use my hon. friend, in season and out of season, trying to admonish me and saying that I am admonishing somebody. Well, if he wants to admonish me, he is free to do so. I welcome it also because, if I deserve it, I will certainly take it and improve myself. If I do not deserve it, then I will treat in the manner in which it deserves to be treated. Why have I got to bother about it? But why should he, in season and out of season, have only to bring in things which are not relevant at all? This simple measure is not a Finance Bill on which anything

on earth can be spoken. On this if what was relevant only had been spoken, it would have been more to the point. But that is what my hon. friend can never do, and when I say that, he will say I am trying to criticise. I am only trying to point out that if a relevant criticism is made, it will be respected, and it will be useful and it will be effective. But if irrelevant criticisms are made all the while—which is of course the right of my hon. friends; I do not deny that right—then they will lose their effectiveness, and they will not be respected also because, how can one respect such things when they are not substantiated or when they are not supported by facts behind them? This is all that I have got to plead. I can go on pleading; my hon. friend can go speaking—I cannot object to it.

Then, Sir, taxes are avoided not only by the rich; taxes are avoided by many people, and therefore we have got to find ways and means, how best they should be, so that these cannot be avoided. Ways and means are there and yet they are avoided, not only in this country, but in almost all countries; there is no country where it is not avoided. The more effective the Government becomes, the more effective the society becomes in looking down upon people who do this kind of things, the greater will be the efficiency in stopping this kind of things, and that is where we have got to cooperate with each other and this is what I expect my hon. friends to do.

Sir, I hope that this Bill, which by itself has received hardly any objection, will be passed unanimously.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA) : The question is:

"That the Bill further to amend the Wealth-tax Act, 1957, the Gift-tax Act, 1958, and the Income-tax Act, 1961, and to amend the Finance (No. 2) Act, 1967, as passed by the Lok Sabha, be taken into consideration."

*The motion was adopted.*

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): We shall now take up the clause by clause consideration of the Bill.

*Clauses 2 to 6 were added to the Bill.*

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

SHRI MORARJI R. DESAI: Sir, I beg to move:

"That the Bill be returned."

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

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#### THE COAL BEARING AREAS (ACQUISITION AND DEVELOPMENT) AMENDMENT BILL, 1967

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA) : Now we pass on to the next Bill. Mr. Sethi.

THE MINISTER OF STATE IN THE  
MINISTRY OF STEEL, MINES AND  
METALS (SHRI P. C. SETHI) : Sir, I beg to move:

"That the Bill further to amend the Coal Bearing Areas (Acquisition and Development) Act, 1957, be taken into consideration."

Sir, this amending Bill has had to be brought in because according to the 1894 Act we had to give notice under section 4 for the acquisition of any land for public purposes. And after giving that notice objections were invited by the Collector under section 5A. After hearing the objections the Collector used to decide. Then in the year 1957, this Act of 1894 was further amended. It was only amended because there were certain cumbersome procedures under the 1894 Act. Therefore the 1957 Act introduced section 28 whereby the proceedings were simplified and the Collector was eliminated in the sense that a separate authority was created and a tribunal was also set up to hear and decide the compensation.