

[Shri Rajendra Pratap Sinha.]

situation no doubt is serious but I repudiate this wild statement that is being made that there are starvation deaths. He has said that thousands of cattle are dying. There is no doubt scarcity of fodder but nothing of that type is happening anywhere in any part of this country. Well, I have functioned as an Opposition Member for a number of years. It is the duty of the Opposition, no doubt to bring to the notice of Government the difficulties that the people may face but I submit to my friend sitting opposite, with whom I have worked for a number of years, that he should not create an unnecessary scare in this country. The times are very difficult. We have to face a difficult food situation and, therefore, it is important that no scare is created. We must pull together. I am sure Government is taking all possible steps not only at the Centre but at the State level also to see that we tide over this difficulty. We invite the co-operation and the assistance and help of every Member of the Opposition so that the country may tide over this difficulty. We are facing a difficult situation. We have got to face two aggressors on two fronts and as ill-luck would have it, we have a difficult food situation also. We can only pull through all these difficulties if we all co-operate and not try to raise unnecessary bogeys which are not facts at all. That is all that I have to submit.

SHRI MULKA GOVINDA REDDY: Madam, he has made some personal allegations against me.

THE VICE-CHAIRMAN (SHRI-MATI TARA RAMCHANDRA SATHE): No, sit down.

SHRI MULKA GOVINDA REDDY:  
I must say . . .

**THE VICE-CHAIRMAN (SHRI-MATI TARA RAMCHANDRA SATHE):** You have had your say.

SHRI MULKA GOVINDA REDDY: No. He has made some personal allegations against me.

THE VICE-CHAIRMAN (SHRI-MATI TARA RAMCHANDRA SAHE): No. I am putting the question . . .

SHRI MULKA GOVINDA REDDY:  
I would like to make a . . .

THE VICE-CHAIRMAN (SHRI-MATI TARA RAMCHANDRA SATHE): No.

The question is:

"That the Bill be returned."

The motion was adopted.

THE TAXATION LAWS (AMEND-  
MENT AND MISCELLANEOUS PRO-  
VISIONS) BILL, 1965

THE DEPUTY MINISTER IN THE  
MINISTRY OF FINANCE (SHRI  
RAMESHWAR SAHU): Madam, I  
move:

“That the Bill further to amend the Income-tax Act, 1961, the Estate Duty Act, 1953, the Wealth-tax Act, 1957, the Gift-tax, Act 1958 and to provide for exemption from tax in certain cases of undisclosed income invested in National Defence Gold Bonds, 1980, as passed by the Lok Sabha, be taken into consideration.”

This Bill has been brought in for the purpose of replacing the Taxation Laws (Amendment and Miscellaneous Provisions) Ordinance, 1965, which was promulgated by the President on the 19th October, 1965.

Sir, as the House is well aware, this country is facing a situation in which it has to meet serious challenges to its territorial integrity on two fronts and at the same time maintain a reasonable pace of economic progress. The recent developments with regard to foreign aid and the level of our foreign exchange reserves make it imperative for us to raise resources from within the country to meet the grow-

ing needs of our defence and economic development. These resources have to be built up not only by encouraging greater investment of monetary savings, but also by mobilising savings held by our people in the form of gold or gold ornaments to augment our foreign exchange resources. With these twin objectives in view, Government have floated the National Defence Loans in two series, namely, 4½ per cent. National Defence Loan, 1968 and 4½ per cent. National Defence Loan, 1972, and the National Defence Gold Bonds, 1980. The primary appeal to the people of this country to subscribe to these Loans and Bonds is to their sense of patriotisms and determination to maintain their freedom and the democratic way of life and their will to make the utmost sacrifice for achieving this purpose. At the same time, it is necessary to create the required conditions for maximising investment in these Loans and Bonds. With this object in view, the Bill provides certain tax concessions to those investing in these Loans and Bonds.

The tax incentives offered through this Bill to persons investing in the National Defence Gold Bonds, 1980 have to be viewed in the context of what I have mentioned before. These Bonds are issued on the express understanding that the gold, gold ornaments or gold coins subscribed to these Bonds will be returned in the form of gold of .995 fineness on the expiry of 15 years, i.e., in 1980. The Bonds themselves will be expressed in terms of weight of gold of .995 fineness. The Bonds are freely transferable. During the 15 year period, there will be an annual payment of Rs. 2 for every 10 grammes of gold to the holders of these Bonds. This annual payment will be exempt from income-tax and the Gold Bonds will be exempt from wealth-tax altogether in the hands of all holders, whether initial subscribers or subsequent purchasers. The sale or transfer of the Bonds by any holder will not entail liability to income-tax on the capital gains that may arise on such sale or

transfer. The Bonds may be gifted by the original subscriber without attracting liability to gift-tax on Bonds upto 5 kilogrammes of gold, in each year. Subsequent purchasers of the Bonds or a person who receives the Bonds as a gift from the original subscriber will not, however, be eligible for this concession in regard to gift-tax. So far as estate duty is concerned, the Bonds passing for the first time on the death of any holder—whether an original subscriber or a purchaser from the market—will be excluded from the dutiable estate of the holder, subject to a limit of Bonds upto 50 kilogrammes of gold.

As I stated earlier, the primary appeal for subscriptions to the Gold Bonds is to the sense of patriotism of the people and no amount of gold, however small, is considered too little in this respect. There is, however, a possibility of certain persons holding gold which has been acquired by them out of their undisclosed income. With a view to encouraging such persons to bring out such gold and subscribe it towards the Gold Bonds, the Bill provides that where such subscription has been made before the concealment of the income is detected by the Income-tax Officer and before seizure of the gold under any law, the subscriber will be exempt from tax on such income in his assessment for any year, made after the 19th October, 1965. The wealth represented by such income will also be exempt from wealth-tax in the case of such persons in their assessment for any year made after the 19th October, 1965. This exemption also extends to assessments to excess profits tax, business profits tax, super profits tax and surtax. The Bill also includes provisions ensuring that the identity of the persons subscribing to the Bonds in such cases and particulars relating to the Bonds will be treated as confidential, and courts will be barred from requiring any public servant to give any evidence pertaining to these matters.

The National Defence Loans are issued in two series, one of which is cur-

[Shri Rameshwar Sahu.]

rent for 3 years and carries an interest of  $4\frac{1}{4}$  per cent. per annum, while the other one is current for 7 years and carries an interest of  $4\frac{1}{4}$  per cent. per annum. The interest is taxable in the hands of all resident holders. However, in the case of such residents as are individuals, the interest on these Loans will be paid without deduction of income-tax at source at the time of payment. Besides this facility to resident individuals, investment in National Defence Loans by non-residents carries with it complete exemption of the interest from income-tax. This concession is, however, not incorporated in the Bill as it has been secured by the issue of a notification by the Government under the powers derived from section 10(4) of the Income-tax Act. That section exempts non-residents from tax on the interest on investments approved by Government and notified by it. Hon'ble Members will agree that the favourable treatment to non-residents investing in these Loans will encourage

the flow of funds from foreign countries into India for investment in these Loans and thereby augment our foreign exchange resources.

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

Madam, I move.

*The question was proposed.*

THE VICE-CHAIRMAN (SHRI-MATI TARA RAMCHANDRA SATHE): The House stands adjourned till 11.00 A.M. tomorrow.

The House adjourned :  
five minutes past five of the  
clock till eleven of the clock  
on Friday, the 26th November,  
1965.