

[Shri Bhupesh Gupta.]  
21st of April this year when representatives saw the Labour Minister and he had been told by the P. & T. authorities that they were discussing informally with the union representatives, all these had been violated. They had been denied all this right. They had been denied the right of making representation to the Government. They had been denied, by another circular, the right of making any representation through the press. Practically they have been shut out from doing any such thing. I do not want to mention anything more. I have got various statements that had been made during the previous debates here in this House by the late Pantji, Home Minister, and other Ministers saying that even if the workers' union had been de-recognised, there would be no difficulty in having consultations informally between the representatives of the union and the officials. I do not know why a circular was issued on the 17th of this month suddenly stopping all such things. These are the points I should mention in this connection and I hope the Finance Minister will kindly give a reply.

MR. DEPUTY CHAIRMAN: No reply. These points do not arise now.

SHRI BHUPESH GUPTA: They do arise. Is it for you, Sir, to ask him not to reply?

MR. DEPUTY CHAIRMAN: These are not the points to be made at the Third Reading stage.

SHRI BHUPESH GUPTA: I think it is possible.....

MR. DEPUTY CHAIRMAN: Order, order. I am on my legs.

SHRI BHUPESH GUPTA: You are on your legs and to this I have to yield.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be returned."

*The motion was adopted.*

SHRI BHUPESH GUPTA: Sir, I rise on a point of order before we take up the Finance Bill. You said, Sir, that we have exceeded the time-limit.

DR. H. N. KUNZRU: There can be no point of order against the Chair.

SHRI SUDHIR GHOSH: There can be no point of order against the Chair.

SHRI BHUPESH GUPTA: With regard to procedure . . .

MR. DEPUTY CHAIRMAN: We are going to the next business.

SHRI BHUPESH GUPTA: All I say is that we do these things here.

#### THE FINANCE BILL, 1961

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

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1961-62, as passed by the Lok Sabha, be taken into consideration."

Sir, the Bill was introduced on the 28th February, 1961 and its provisions are, by now well known to the hon. Members. I do not, therefore, propose to go over these provisions. After the introduction of the Bill, the Government had received various representations and suggestions on the provisions contained in the Bill from various chambers of commerce, trade associations and other members of the public. Views were also expressed and suggestions made on these provisions in both the Houses of Parliament. After taking into consideration all these views and suggestions, the Government proposed some amendments which have since been

passed by Lok Sabha. I would like here to briefly touch upon these amendments.

In the field of direct taxes, it was originally proposed in the Finance Bill that a uniform rate of 40 per cent, inclusive of income-tax and super-tax would apply in respect of dividends received by foreign companies from any Indian company formed on or after 1st April, 1961 while a rate of 53 per cent was to apply in respect of dividends received by foreign companies from Indian non-subsidiary companies formed on or after 1st April 1959 and before 1st April 1961. With a view to a further simplification of the tax structure of companies, an amendment was proposed which has been passed by the Lok Sabha. This amendment has the effect of applying the rate of 40 per cent, to the latter category of dividends also. Thus, dividends paid by an Indian non-subsidiary company formed on or after 1st April 1959 will be taxable in the hands of a foreign company at the rate of 40 per cent.

The next amendment which I would like to refer to here relates to entertainment expenses to be allowed in the income-tax assessments. In the original Bill provisions regulating these expenses only in the case of companies had been made. Representations in this connection were made on behalf of companies as well as other types of assessee. After carefully considering the representations it was proposed that while no change need be made in the proposals so far as companies were concerned, in the case of non-companies, the *status quo* should continue, i.e., genuine expenses incurred by such assessee on account of entertainment should be admissible as before. An amendment was proposed accordingly and this has been accepted by the Lok Sabha.

Sir, one of the important concessions proposed in the Finance Bill was in respect of buildings, newly

erected after the 31st March, 1961 by the assessee for the purpose of residence of their business employees in low-income groups. It was proposed that in respect of such buildings, initial depreciation at the rate of 20 per cent of the actual cost of construction of the buildings would be allowed. An amendment has since been made to the effect that the initial depreciation would be admissible not only in respect of buildings used for the purpose of residence of the low-income group of employees, but also in respect of other buildings newly erected after the 31st March, 1961 and utilised for their welfare requirements, such as hospitals, libraries, schools, etc.

A few other amendments were also made in the provisions relating to income-tax and super-tax. These are mostly of clarificatory or verbal nature, and I do not propose to take the time of the House by dilating on them.

I shall now refer briefly to the reliefs proposed in the field of Union excises.

The rate of excise duty on kerosene other than inferior kerosene was initially proposed to be increased by Rs. 31.35 from Rs. 64.20 to Rs. 95.55 per kilolitre. This has now been halved. Steps have also been taken to prescribe suitable specifications for inferior kerosene oil to facilitate assessment at the lower rate, where necessary.

In consideration of the fact that inferior grades of coffee do not have an export market and the proposed increase in duty was likely to affect the internal consumption of these varieties, the rate of duty in respect of 'robusta' and 'liberia' varieties has been restored to the pre budget level of Rs. 41.35 per quintal.

It was represented that my proposals regarding withdrawal of exemption from certain powerloom units would put an unduly heavy burden

[Shri Morarji R. Desai.]

on these small units. In consideration of these difficulties, especially of the self-employed units, the original proposals have been now modified to the extent that all units manufacturing cotton, silk or art-silk fabrics and employing up to four looms which work only one shift, will be exempted from duty. Such units will have to pay duty only if they work more than one shift, but even then the rate of compounded levy applicable to them has been reduced by 50 per cent. from the figures originally proposed. Similar benefits have been extended to powerloom units manufacturing woollen fabrics if the number of working looms in any unit does not exceed two. Steps have also been taken to adjust the rates on a slab basis for the smaller powerloom units so as to moderate the rise of incidence with the increase in size of a manufacturing unit.

The proposal to have a higher rate of duty for cotton fabrics produced on automatic looms has been considerably modified. The surcharge has been withdrawn in respect of 70 per cent. of the total production and the enhanced duty on the balance has been linked with export performance. In actual effect, the surcharge will be payable only on the quantity by which the exports made by a manufacturer during any half year fall short of 30 per cent. of the fabrics produced by him on automatic looms during that period.

To simplify the collection of excise duty on cotton yarn, a compounded system of levy has been introduced by which the manufacturer would be enabled to pay the duty on yarn at 1.2 nP. per square metre of the fabrics produced. All cotton yarn of counts up to 40s if issued in hanks, has been exempted from duty, with a view to giving relief to coarse and medium varieties of handloom fabrics.

A compounded system of levy has also been introduced in respect of

woollen yarn. This will enable the manufacturer to pay duty at the rates of Rs. 2.10 per kg. for worsted yarn of counts 60s or above, Rs. 1.60 for worsted yarn of counts below 60s and 40 nP. per kg. for yarn other than worsted.

There is sizeable cottage sector employed in the manufacture of glass and glassware, china, porcelain and other earthenware. Units engaged in the manufacture of such products but not employing more than five workers were exempted from excise control from the very beginning. The exemption has been further liberalised and all units manufacturing glass and glassware from broken glass without using power and which do not employ more than 20 persons have been given complete exemption from excise duty. Similar exemption has been given to cottage scale manufacturers of china, porcelain or other earthenware not employing more than 15 workers. Plastics manufactured from scrap have been exempted. Subject to essential safeguards, exemption has also been provided for clinical samples of patent or proprietary medicines issued to laboratories, hospitals, etc. up to a maximum limit of 5 per cent. of the total duty paid clearances. The exemption given in respect of cosmetics and toilet preparations has been increased from the original figure of 50 to 75 kgs. per month.

The smaller manufacturers of circles and sheets of copper and copper alloys have a special problem inasmuch as they issue sheets and circles in an untrimmed and uncut condition. To make up for the potential loss due to wastage on this account, they have been given an exemption in respect of 20 per cent. of the duty if these are of bronze and 25 per cent. of the duty if these are of copper or copper alloys other than bronze. Strips of such metals used in making limitations zari have also been exempted. Similarly, exemption has

been provided for strips and foils recovered from scraps of copper alloys and used in the manufacture of trinkets.

It has been clarified that air-conditioning machinery used for the preservation of foodstuffs in bulk will not attract the excise duty. Provision has also been made for allowing adjustment of countervailing duty paid at the time of import of compressors when used in refrigerators or air-conditioners produced in the country.

Some concessions have also been made in the field of Customs duty. These have already been announced but the House may like me to recapitulate them here.

In order to avoid hardship to fishermen and to see that the fishing industry is not adversely affected, the duty on nylon twine imported for the manufacture of fishing nets has been reduced from 100 per cent. *ad valorem* to the pre-budget level of 50 per cent. *ad valorem*. A procedure is being laid down to see that only *bona fide* fishermen and Fishermen's Co-operative Societies can take advantage of this reduction.

As a measure of relief to the newspaper industry, the rate of Customs duty on newsprint, unglazed and machine-finished, imported in reels, has been reduced from Rs. 7.50 per quintal to Rs. 5.00 per quintal and that on newsprint, other sorts, imported in reels, from Rs. 9 per quintal to Rs. 5.50 per quintal. The duty on newspaper in sheets, which is used by small newspapers, has been reduced from Rs. 10.30 per quintal to the pre-Budget level of Rs. 4.10 per quintal.

The effective rate of Customs duty on rayon yarn has been reduced to the extent of 65 nP. per kilogram for yarn of below 75 deniers, 55nP. per kilogram for yarn of 75 deniers and above but not above 100 deniers, and 35 nP. per kilogram for yarn of above 100 deniers.

The import duty on kerosene is equal to the excise duty. Accordingly, the reductions made in the excise duty on superior as well as inferior kerosene will also apply to imported kerosene.

The net cost of the concessions in respect of indirect taxes which has been given after the introduction of the Finance Bill is estimated at Rs. 6.14 crores in a full year.

Sir, I move.

*The question was proposed.*

SHRI BHUPESH GUPTA: (West Bengal): Sir, before you call the speaker, we want to get one thing cleared on this side of the House. Seven hours have been allotted for this; in the other case also seven hours were allotted. There we noticed that about six Ministers spoke. They could speak as long as they liked. One Minister took nearly an hour. And we could also sit during part of the lunch hour. But then Members did not have time. Maybe our groups had the time but those who wanted to speak later on did not have the time. Is it right you fix a different time when it comes to the Minister? Well, you sit during the lunch hour. You can have any time they like. But when it comes to non-official Members, well everything goes, all the restraints are there.

MR. DEPUTY CHAIRMAN: It is over and above the seven hours allotted.

SHRI BHUPESH GUPTA: Well, Sir, we were not told.

MR. DEPUTY CHAIRMAN: The Government has to reply to the debate.

SHRI BHUPESH GUPTA: True but we are not objecting to that. But extend the time and also give time to others. Why are the Ministers in this matter at such an advantage?

MR. DEPUTY CHAIRMAN: Time has been given to Members.

SHRI BHUPESH GUPTA: That generally happens when a Minister speaks.

SHRI MORARJI R. DESAI: May I say, Sir . . .

SHRI BHUPESH GUPTA: I am not blaming you

SHRI MORARJI R. DESAI: It is not a question of blaming anybody. I would like him to . . .

SHRI BHUPESH GUPTA: The only thing I want is this. If you weigh the few Ministers on one side of the scale and the rest on the other side, the scales should be held a little evenly. That is all.

MR. DEPUTY CHAIRMAN: As far as possible, evenly.

SHRI MORARJI R. DESAI: Replies have got to be given by Ministers. If hon. Members do not want replies from Ministers, they need not be given. They wanted it and extra time had been provided for it.

DR. H. N. KUNZRU (Uttar Pradesh): When Ministers are taking part in the debate, this is what should be done every year. There can be no complaint, therefore, on this score.

SHRI BHUPESH GUPTA: I know. I am not complaining. Do not try to misunderstand the position. I do not say this thing. But then time should not be taken entirely by the Ministers. There should be a fair debate, a reasonable debate. That is also another side of Parliament.

MR. DEPUTY CHAIRMAN: Your party got the extended time.

SHRI BHUPESH GUPTA: It is for all, I am talking for the House.

MR. DEPUTY CHAIRMAN: The House also . . .

SHRI BHUPESH GUPTA: If the Congress Members are happy that they have been getting . . .

MR. DEPUTY CHAIRMAN: Let us not lose any more time.

DIWAN CHAMAN LAL (Punjab): You want more time?

SHRI DAHYABHAI V. PATEL (Gujarat): Mr. Deputy Chairman, Sir, before I commence my observations, I think I would begin with what was just happening. I welcome the participation in the debate of more Ministers. Even though their speeches were long, I think they were informative and useful, and I hope that it will become more and more the practice than a number of back-benchers flogging a dead horse again and again and dragging on the debate to kill time. When Ministers take part in the debate, that gives us some information. If, as Mr. Bhupesh Gupta tries to say, there is shortness of time, perhaps we can sit a little longer.

SHRI BHUPESH GUPTA: We are not Ministers; We do not sit longer.

SHRI DAHYABHAI V. PATEL: Sir, the House has discussed the Finance Minister's proposals for several weeks. Particularly in the other House they have the opportunity of going into them threadbare. The country has voiced its feelings. Generally, everywhere the feeling is that the effect of the new imposts is going to be inflationary and that is a feature that worries everybody. Economists in the country and outside, if I may say so, have pointed to this tendency. Sir, I came across a few days ago the remarks of Mr. Dandekar. He was an experienced and an able officer and I think he puts in a nutshell the feelings of the people and therefore I think I can quote him. He says:

"It is most important that we should understand this whole business about inflation. It is our

business, as members of the public, to tell the Government to stop the rot. All this is particularly important at this juncture because we are on the threshold of the Third Plan and the public is in for 'another fast one' being pulled on them. In that Plan something like Rs. 6,000 crores is the 'investment outlay' proposed in the public sector; and the total outlay contemplated in the public sector is Rs. 7,000 crores, the difference being described as 'current outlay.' Obviously, some Rs. 2,000 crores are designed to go down the drain anyhow. And deficit financing is put down at the trifling figure of Rs. 550 crores, which frankly I cannot believe.

"I think there is a camouflage going on there. If the plan is to be of the size contemplated, there can be no doubt that deficit financing will also be of a comparable magnitude, much larger than in the Second Plan. If we persist with such an unwise policy of utterly unproductive, useless expenditure, not even yielding any asset, much less any return, it is anybody's guess where we shall end.

It is high time that we realised that economic ideologies divorced from commonsense realities promote calamities not progress. The sooner these false ideologies are replaced by a commonsense approach to problems of development, the better it will be for the nation."

Sir, I am grateful to the Finance Minister for the small mercies that he has been able to show the tax-payer. I think it was estimated that the new imposts were to give a revenue of Rs. 75 crores. And the concessions that he now makes is going to be of the order of about 6.

SHRI M. GOVINDA REDDY  
(Mysore): 6:14.

SHRI DAHYABHAI V. PATEL :  
So we are not very far from where we were. On betelnut there is a slight reduction—perhaps to tell the

poor man, "Look here, your, betelnut has been taken into consideration. The Finance Minister has found time to consider the poor man's betelnut." In the matter of newsprint of course my friend Mr. Mani and his friends of the newspaper will make a lot of noise. So here is a little thrown to them. Coffee of low grade which is not exportable, inferior kerosene, and glass goods manufactured more or less as a cottage industry are exempted.

Sir, we are grateful that this concession is given, but perhaps some of these concessions could have gone a little further. Sir, I am particularly pleading with the Finance Minister that he considers the case of the art-silk weavers of Surat. They have been hit very hard after the partition when their trade of zari was destroyed. It is in recent years, Sir, that they have switched over to art-silk, and while it is admitted that the organised industry, those who work with up-to-date machinery for processing, colouring, etc. are enjoying good profits besides the advantages of the export promotion schemes—where they get a licence to import for the amount that they export, this is not available to the cottage industry. I understand, Sir, the hon. Finance Minister's anxiety to prevent people who are really not engaged in the cottage industry but who are only taking advantage of, or acting as parasites exploiting, if I may say so, some of the poor weavers. Nobody would oppose such a proposal. But there are some of them who are real weavers themselves, owing their own looms and carrying on their business, and I would plead with him that he may reconsider the question and exempt them totally. Even if he is willing to exempt them up to four looms, may I ask why this stipulation of the shift?

SHRI BHUPESH GUPTA: May I draw your attention, Sir, that with all your attractions you have not been able to gather more than fifteen Members in the House. You see the position, Sir.

**SHRI DAHABHAI V. PATEL:** The imposition of the shift on this industry will result in hardship and, if I may say so, in a lot of corruption. I would request the Finance Minister to verify who are the real owners of the looms, themselves being the weavers, and exempt them totally just as he has done in the case of the glass people. I am not pleading for those making money out of the labours of anybody else, but surely there is a good case for exempting the people who are doing this on their own—where a family works. They do not make enough money to use bright lights, and without bright lights you cannot handle rayon fibre—it is fine. They work from daylight to daylight; they do not work at night, and once a loom is started, one member or the other of the family is on it. They take turns when one member has to go to take a bath, or a meal, or do a little shopping, or when the children go to school. They keep the looms going as long as there is daylight. I think, Sir, there is a good case to reconsider this matter, and I would appeal to the Finance Minister. He comes from Surat. He knows the difficulties. He knows what has happened to these people. I know there are powerful interests who plead for the organised industry. I am not against the organised industry. Without industry we will not be able to provide employment; I do not take the view that some of my friends on this side take. I am all for the Government's attitude of encouraging industry. But may I say that the smaller man deserves a little more encouragement, because he is not able to draw the attention of the Finance Minister as much as the organised industry?

Sir, then I will say something about the different imposts. We have heard of the countervailing duty on rayon yarn. The Finance Minister in his Budget Speech this year has proposed to levy a countervailing import duty following the changes in the

excise duty so that the indigenous producer is not placed at a disadvantage.

Rayon yarn is one of the items which is affected by this proposal. This year, the excise duty on rayon yarn has been stepped up, and accordingly countervailing import duty has been levied upon rayon yarn. These are two aspects of the proposals, whether countervailing import duty is required to be imposed on rayon yarn, and what should be the quantum of the countervailing duty if imposed.

Let me deal with the first aspect of the proposals. Since the principle underlying the levy of countervailing import duty is the protection of the indigenous manufacturer, such a duty is protective by nature and not a revenue duty. No protective duty is necessary in the case of indigenous rayon yarn, because there is an acute shortage of rayon yarn and the import quotas together with the indigenous quotas given to the weavers are not sufficient even to meet 40 per cent. of their requirements. There is no competition between the imported and indigenous varieties of yarn. In fact, irrespective of quality or price, the indigenous yarn has an assured market. Import restrictions protect the indigenous spinners of rayon yarn not only quantity-wise but also quality-wise. The deniers manufactured in India are restricted from being imported fully. The excise duty on rayon yarn is passed on to the weavers by the spinners. The present increase in excise duty also is to be borne to the extent of 40 per cent. by the weavers. Counterbalancing the effect of the excise duty by a countervailing duty therefore amounts to double taxation of the weavers.

If at all countervailing import duty is levied, the duty should be equal to the net increase in the excise duty because the effective rates of the customs duty prevalent before 1st March, 1961, have absorbed the full excise

element up to that date. The provision for levying countervailing duty on rayon yarn was made in the Indian Customs Tariff by the Finance Act of 1958. Records show that after this power was taken, the effective rates of Customs duty on rayon yarn were not increased in 1958 since there was no increase in that year in the excise duty, and were increased in 1959 equal to the increase in the excise duty. These records support the case that the quantum of the increase in the Customs duty should now be only equal to the increase in the excise duty.

I request the Finance Minister to decide this question after taking into consideration other facts also which are as follows:

- (i) Imports of rayon yarn mainly take place against export of fabrics and are allowed as an incentive. This incentive will be reduced considerably if imported yarn becomes too expensive, as it will with an average duty of 93.5 per cent., and the export promotion drive will suffer.
- (ii) With the increase in the cost of production due to the several taxation proposals, Indian rayon fabrics will find it very difficult to compete in the world market.
- (iii) Since it has been desired that the prices of rayon yarn fabrics for the domestic consumers should not increase, this burden of duty will fall upon weavers. Their profits are on an average of 2-3 per cent. and they will be hit very hard financially if their raw material price increases.
- (iv) Prices of indigenous varieties of yarn in the open market keep pace with the prices of imported yarn. Therefore, the traders of indigenous

yarn will reap fortuitous gains at the expense of the weavers if imported yarn becomes too expensive.

I request the Finance Minister to assure the House that the effective rates of Customs duty will be further reduced and brought to the level of Rs. 6.30 per kg. in the case of yarns of below 75 deniers and correspondingly for other varieties. Sir, since the yarn industry has assumed such an importance, I am only pleading that, what is fair should be done. Personally, I would have preferred the Government encouraging the use of khadi much more than rayon yarn, but since the Government has adopted this policy, I am pointing out that it is inconsistent, and if the Government have made a declaration that this is not a revenue duty, it is not right that such a meaning is sought and more revenue is sought to be derived from this source than really what it should be.

Sir, I would also draw your attention to some other points of the taxation proposals, namely the duty imposed on capital goods. Apart from the fact that this increase increases the capital cost in new ventures, there is another feature which seems to have been completely overlooked. For instance, certain goods imported come under the GATT provisions on which levy of import duty is not permissible. I understand that all the signatories are bound to exempt the goods that are coming under this scheme from duty. If India is a signatory, goods coming under this scheme will be exempt from duty. I wonder whether imposition of duty on certain imports of capital goods, leaving others tax-free, would not constitute discrimination. I would like the Finance Minister to consider this question.

There is another important question. Sir, the gratuity paid to employees in the private sector is subject to tax whereas the gratuity paid to



[Shri Dahyabhai V. Patel.]

those employed in the public sector is free from it. Sir, I do not think if under the Constitution it is correct, much less that the Government should have measures of this type of discrimination.

Sir, I work for a life insurance company. My friend, who was shouting so much yesterday, was saying that I was selling policies. He is unfortunately absent. Is there anything wrong in doing the honest business of selling insurance policies? But let me tell this House that there seems to be a lot of misunderstanding about it. I was not doing it. I was an employee of the insurance company. Certainly, I started as an ordinary apprentice and rose to be one of its senior officers. My function was to help agents to make them do better. I did it for the Oriental Life Insurance Company. The Oriental Life Insurance Company was one of those cleanest companies which did not allow their officers to do business in the name of their sons, daughters, wives and sisters. That is the rule which all good companies follow. I hope the Life Insurance Corporation is following it because they have taken some of the good points of the Oriental Life Insurance Company but sometimes those rules are relaxed. That is not good. I will come to that later.

Sir, coming back to my point, I paid two-thirds of my gratuity as tax. But those who will retire from Government service will not pay it. I do not grudge it but why do we not exempt others too? Have people, who work in a private industry, committed any crime? Why do you discriminate against them? This is a sort of discrimination and, if I may say so, the growing bureaucratic tendency in some of our officers, particularly when they have gone to look after our State undertakings, is growing more and more. When we ask questions about this here, we are told that it is not primarily the concern of the Government of India. The Govern-

ment has appointed a separate autonomous Corporation and we cannot ask questions. I understand the Chairman of the Life Insurance Corporation now enjoys a rent-free flat and he is exempted from the perquisite tax also. People used to complain, particularly the advocates of nationalisation, that there were a lot of profits going away and that officers were being paid fat salaries. But what is happening today? I ask that question.

Sir, talking of insurance business

MR. DEPUTY CHAIRMAN: We are concerned with the Finance Bill.

SHRI BHUPESH GUPTA: On the Finance Bill everything can be said.

SHRI DAHYABHAI V. PATEL: The Life Insurance Corporation is managed by the Finance Minister. It is a department strictly under him.

MR. DEPUTY CHAIRMAN: We are concerned with the taxation proposals.

SHRI BHUPESH GUPTA: No, Sir. There is a clear ruling on this point because I know that in the House of Commons and also in the Lok Sabha there is a clear ruling by the Speaker, Mr. Mavalankar. To use almost his own words, he says: "On Finance Bill you can speak everything on earth." This is the position. It is the practice in the British Parliament. It is the practice here. Therefore, you should not restrict it. Certainly, you can rule out if there is anything unparliamentary.

SHRI DAHYABHAI V. PATEL: I will try to restrict myself. But this is a matter concerning officers. This department is directly under the Finance Minister.

SHRI MULKA GOVINDA REDDY (Mysore): That has been the practice in the Lok Sabha. That has been the practice in the House of Commons. It

will not be proper if you restrict the subjects of speeches of hon Members

MR. DEPUTY CHAIRMAN But they should be relevant

SHRI BHUPESH GUPTA Everything in connection with the Finance Bill is relevant We can discuss the foreign policy, we can

SHRI MULKA GOVINDA REDDY I do not understand how the question of irrelevancy comes in here.

SHRI BHUPESH GUPTA We can discuss here anything pertaining to Government policies.

SHRI DEPUTY CHAIRMAN I will see if that is the ruling

SHRI BHUPESH GUPTA Not only that, that is the common practice in the British Parliament When we go by the 'May's Parliamentary Practice' and when our Constitution is also modelled on the British pattern, this should be the practice in our Parliament also

SHRI DAHYABHAI V PATEL Sir, I would like to ask whether this type of discrimination practised by the Government is in consonance with the spirit of the socialistic pattern of society so much talked of and advocated

Sir, I would also like to draw the attention of the House to the withdrawal of the third shift depreciation allowance This is **presumably done** on the ground that other concessions allowed in respect of not only new ventures but also established ones have been sufficiently enough and, therefore, the third shift depreciation allowance might not be necessary I personally feel that this is a wrong view to take When any machine works for the third shift, it suffers extra depreciation and the allowance must be granted It is also known that the out turn of work in the third shift is usually poorer than in the first two shifts

Then there is the question of tax on bonus shares The reduction in the tax is good as far as it goes It cannot, however, be denied that tax on bonus shares constitutes in the ultimate analysis double taxation, as the reserves from which the bonus shares have been issued have already borne tax Further it also acts as a deterrent to prudent companies building up reserves by following a conservative and sound policy by limiting dividends In any case, tax on bonus shares issued out of share premium account should go Taxation on this is neither logical nor justified

Sir, somehow the Government has got into a frame of mind where, right or wrong, they want to pinch anything from everywhere, justifiably or unjustifiably, just as when the coinage was changed from the old system to the decimal system, the postal rates were always in favour of the Government In other matters too, there is little by little pinching at every stage I do not know how this Government is to go on and what impression they are going to make on the people It is true that this is an indirect method of taxation For a short period perhaps the people will not realise that it is the Government that is responsible for increasing the prices in this manner by indirect taxation but by and large, the people are going to find out They may abuse the shopkeeper when they find the prices having been increased Tomorrow morning if you go and want to buy a drug prescribed by your doctor, you will find that the price is considerably higher than what it was a couple of months ago Perhaps the person who does that will abuse the chemist, calling him a blackmarketeer, but that sort of thing is not going to last long The people will realise who is at the root of it in course of time and then the Government will find itself in a difficult position

I had referred, when I spoke on the Budget to comments that I said were being made in the foreign press about

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our financial and budgetary positions. The hon. Finance Minister—unfortunately he is not here—seems to take exception to my remarks and he said that it is not necessarily right. First he denied it and then he said that even if it is true, I should not say it. Only a few days back, I think, the Rajya Sabha Secretariat circulated a note by Prof. Galbraith. I hope Members have read it. Some Members said that they had not received it. For their benefit I will read a few extracts from that. He said:

"I venture the view that the public sector has reached the point where its organisation requires a great deal of attention. India has a kind of post office socialism which is out of date and which is working far less well than it should and must."

Sir, he has spoken in a diplomatic language. Probably he said that he was not a diplomat but he has spoken in a language which carries a lot of meaning and I would ask the Government and the Finance Minister to look into it.

SHRI BHUPESH GUPTA: Interference in internal affairs of this country.

SHRI DAHYABHAI V. PATEL: I do not consider it interference in our internal affairs.

SHRI BHUPESH GUPTA: Of course.

SHRI DAHYABHAI V. PATEL: The U.S. Government has been helping us not only with funds but is also inducing private investors to invest and certainly they are fully justified in speaking in such restrained language and telling our Government to put our house in order. They may not say that as bluntly as Shri Dandekar did or perhaps I said on some occasions but certainly they are justified in saying this. Everybody who invests money must see that money produces if there is any hope or

chance and I believe the American investors in India are hoping that we are going to repay their money and that it is not going to be a repetition of what happened in China.

SHRI BHUPESH GUPTA: It is investible diplomacy.

SHRI DAHYABHAI V. PATEL: Then he goes on to say:

"Obviously, a prime aim of India must be to plan its way out of reliance on such uncertain and exiguous sources of domestic savings. (Foreign resources present a somewhat different problem.) To give people income and then remove it by taxation, inflation or appeals to thrift is an inefficient and self-limiting procedure."

SHRI BHUPESH GUPTA: I am told that he is a professor. I do not know to which college he went.

SHRI DAHYABHAI V. PATEL: He says:

"Otherwise they may become the target of workers in the industry who can easily be persuaded that they have a privileged claim on them, and consumers may also insist on low prices as in the present case of rail passenger travel."

I need not read anything more. I would only say that I read this to illustrate what I had said . . .

SHRI BHUPESH GUPTA: Now, you can post it back.

SHRI DAHYABHAI V. PATEL: Much more than this is being circulated in financial circles abroad. Of course it is marked 'confidential' but if you have a good mission in America and I am sure that we do have it, they can get you copies and tell you how they feel about the way in which work is going on here. Why not? The Government's biggest financial institution is the Reserve Bank of India. Two years ago we had an inquiry. The report

of Justice Vivian Bose was before this House and it was discussed and it was in the press also. What did he say of the Governor of the Reserve Bank? What has the Government done? There is also another failure of the Reserve Bank on which also we had a lot of discussion in this House—the Palai Bank. Surely, if the Reserve Bank had shown a little more imagination, perhaps the great disaster that came to many many investors would not have come. Were not warnings sent to the Heads of the Reserve Bank that something like this was happening and asking them to make enquiries and to take heed? They did not. They are still there. Sir, the favourites of the Prime Minister are costing this country too much. We have had them everywhere. I had occasion to ask about a certain foreign mission repeatedly for two years. First it was denied and they said 'Nothing wrong, everything is OK'. After persistent questions, the Deputy Minister over there said: 'The Prime Minister has asked two Members of Parliament who are going on Haj to make unofficial enquiries and report'. I persisted and asked 'Will the report be placed on the Table of the House?' I was told: 'It is not in the public interest to place the report on the Table of the House.'

THE DEPUTY MINISTER OF EXTERNAL AFFAIRS (SHRIMATI LAKSHMI MENON): No. The two Members of Parliament went to Haj, not in response to your request at all or at your instance.

SHRI DAHYABHAI V. PATEL: They acted as unofficial delegation. I am using your words I am quoting you, Madam. I was quoting, Mr Deputy Chairman, the very words that were uttered in the answer. Two Members were asked to act as an unofficial delegation and report to the Prime Minister. I persisted and asked the question: "Has the Report been received and will the Prime Minister be good enough to place it on the Table of the House?" The answer was: 141R.S.—7.

"It is not in the public interest to place it on the Table of the House". It is so damaging that it cannot be put on the Table of the House, otherwise, why don't you do it? You had your own Partymen. They were not outsiders or officials. They were Members of Parliament of the Congress Party who had gone there and they were asked to enquire. I repeat that the favourites of the Prime Minister are costing this country too much.

SHRIMATI LAKSHMI MENON: No, I never said that it was not in the public interest to place the report on the Table of the House. Could you produce the evidence for that?

SHRI DAHYABHAI V. PATEL: You ask the Secretary and he will give you. It was an answer given in this House.

SHRIMATI LAKSHMI MENON: No.

4 P.M.

SHRI BHUPESH GUPTA: It must be in the proceedings.

SHRI DAHYABHAI V. PATEL: It is in the proceedings.

SHRI BHUPESH GUPTA: I mean, the only evidence will be in the proceedings.

SHRI DAHYABHAI V. PATEL: Therefore, I say the favourites of the Prime Minister and, if I may say so, his fads, are costing the country too much.

AN HON. MEMBER: Are you a favourite or a fad?

SHRI DAHYABHAI V. PATEL: There are some ex-favourites also.

Sir, we had the benefit of the views of a few Ministers who gave us some information. I welcome the exposition of Mr Manubhai Shah. He gave us an exposition of what the Government was doing in the matter of in-

[Shri Dahyabhai V. Patel.]  
dustries. But I would like Mr. Manubhai Shah also to apply his mind which is essentially a businessman's mind to what is happening to the other Ministers. Can he not enlarge his vision in the other spheres? Why is he pursuing this unbusinesslike course of trying to manufacture a small car in the public sector when the situation in the country is what it is? Views have been expressed in Parliament and outside, but he will not listen. A few days back there was a report in the newspapers that our neighbour, Pakistan, was going ahead with the project and they were going to make a car that was going to be cheap. I have not the resources of the Government of India and so I suggest that they should make enquiries and learn.

I will mention two more points. One is connected with the abuse of certain licences that are issued by the department. In certain cases hundred per cent. import licences are issued to people who export. It is part of export promotion. But does the Government take the trouble to make enquiries whether the exported goods are really goods meant to be exported, and whether the imported ones are also really what are meant to be imported? Is the Government not aware that tissue paper was exported in place of cloth? Persons who were never in the business of manufacturing any type of cloth got the licence. They got the import licence and hawked the thing in Bombay because there was a profit of 175 per cent. in it.

SHRI BHUPESH GUPTA: And still you are in support of the private sector?

SHRI DAHYABHAI V. PATEL: I am in support of the private sector, but I am against the officials who do it. Somebody drew the attention of Shri Morarji Desai and the man concerned was promptly removed. I think that was a bit too mild an action. There should be much more strong and deterrent action taken in such

cases. Today, what is happening in Bombay in the matter of cotton control? Sir, we have in this country a type of cotton which is not useful—the very short staple cotton. Japan has been buying it always. Export quotas are issued. Some friends, blue-eyed boys of the Congress have the knack of knowing it beforehand what export quota is going to be issued and they are ready, because for export you require a letter of credit and you require bank guarantee and all sorts of things. But they are ready with them. How is it that all this information seems to leak out to certain favourite firms months before these things happen?

SHRI BHUPESH GUPTA: For that you want to hang Mrs. Menon?

SHRI DAHYABHAI V. PATEL: No, but how is it that the person in charge of cotton control has his relations in every one of these firms? How is it that when today we have an exportable surplus of a lakh bales in this country, the export licence—the third for this year—was issued for only 30,000 bales? That was because the blue-eyed boy was not ready with the letter of credit from elsewhere and he was waiting for it. In the meantime, the prices fall and there is a crisis in the market. I would like the Finance Minister to look into these things because these are very serious matters. The Finance Minister is reported to be a very firm man and a person who does not tolerate this sort of thing. I do not see the firmness that I expected from him in these matters.

SHRI BHUPESH GUPTA: What would you ask these people?

SHRI DAHYABHAI V. PATEL: He knows.

SHRI BHUPESH GUPTA: Would you ask them to join the Swatantra party?

SHRI DAHYABHAI V. PATEL: They do not join your party. I wonder why the Swatantra party is so much on the brain of my hon. friend.

**SHRI BHUPESH GUPTA:** Because they are blue-eyed.

**SHRI DAHYABHAI V. PATEL:** You have got many of them in your party. Don't you worry. I know some of them.

Sir, one more point and I have done. We have debated again and again in this House, and I have also particularly drawn the attention of the Government to their failure to take full advantage of the oil and gas in Gujarat. The Minister of Oil was in Gujarat some time back and there he met the Ministers, the Members of the Legislature and so many publicmen. He assured them that there was going to be a refinery. When he was pressed and told that the different types of oil in the two regions would need two different refineries, he was non-committal. He has still got his idea of working up a pipe-line. Where it is going to come from and what it is going to cost, I have not been able to get a clear answer from him in spite of repeated questions. The type of refinery that you require for the Ankleshwar oil which is of a higher grade, is very much simpler. It is not so expensive and it does not require the very intricate process that they have in the Bombay refinery—the catalytic process. I am not against Government doing it in the public sector. But why does not the Government go ahead and do something about it? There is no doubt at least now and it is admitted that the oil find in Gujarat in both the areas, in Cambay and in Ankleshwar, is sufficient to warrant exploitation and exploration and development of the oil industry. But why is the pace of progress so slow? I have said once before in this House and I would like to point it out again, that Gujarat suffers, that the industries in Gujarat suffer for want of power. In Bombay the Chief Minister of Bombay is inviting industrialists to go to Bombay. He offers them electric power at half-an-anna. But in Gujarat it costs two-

and-a-half annas. Besides, there are other difficulties. How can industries grow at this rate? Why is there this difficulty? This difficulty is there because the Gujarat Ministers did not develop the power available. They did not develop the hydro electric power that they should have. Two schemes were started some ten years back and they are half way through. They have not even imported the machinery necessary for generating the hydro electric power. They have only built the canals. They have not even built the dam. When will they build the dam and when will they instal the machinery for generating the hydro electric power and when will they give the people electric power? Sir, nature has given that area the advantage of this oil find and the surplus of gas from the refiner would be a very good alternative source for providing cheap power. Why does not the Government pursue this project as vigorously as it should? Unfortunately, the Government in Gujarat, as I said once before, is following the policy of what we say in Gujarati: “તીરથ ના હજામ”

**SHRI BHUPESH GUPTA:** What is the English of it?

**SHRI DAHYABHAI V. PATEL:** I will explain it to you. “Tirath” means a place of pilgrimage and “Hajam” means a barber. At certain places of pilgrimage barbers do not like to lose a customer and so they start with one and afterwards leave him half done and start on another and so on. Similarly, in Gujarat they began with the Tapti project and then went on to the Mahe scheme and now they have come to the gigantic Narbada scheme. I know something of the history of this Narbada scheme. A retired engineer of the C. P. Government had made all the investigation while he was in service under the former regime. Ten years ago, he went from door to door explaining his scheme. I happened to be in Delhi when he came to my father's house and therefore I know about it. He

[Shri Dahyabhai V. Patel.]  
sent me a copy afterwards. I have still got it. For ten years this scheme has been lying somewhere in the files of the Government of India. Today, suddenly, they have discovered that this is a good scheme. Yesterday my hon. friend here said as to why we want these things to be done by the Central Government, why he wanted this thing to be taken up by the Central Government. I support him and I join issue with the Minister for Irrigation and Power. Are schemes that are not to be executed or are to be executed badly to be handed over to the State Governments? Are things managed in this way? It is for this, Sir, that Mr Jaswant Singh pleaded that the Central Government should execute the scheme. I hope, Sir, that in the matter of the Narbada scheme also we are not going to have the history of the earlier schemes in Gujarat to be repeated. I am, however, not very keen about the Narbada scheme just now. What I would like Government to pursue is to shelve completely the two schemes that have been shelved half-done.

SHRI K. K. SHAH (Maharashtra):  
Mr. Deputy Chairman . . .

SHRI BHUPESH GUPTA: Gujarat or Maharashtra?

SHRI K. K. SHAH: Maharashtra.

SHRI DAHYABHAI V. PATEL:  
Gaekwar of Baroda. He stays in the Palace. He has got a room there.

SHRI K. K. SHAH: Sir, these fine remarks of my friend should not disturb anybody. When the proper time comes, they will know what they mean.

References were made to direct and indirect taxation and also to the fact whether the pattern of taxation pursued during the course of the last two or three years conforms to the socialistic pattern of society to which we are wedded. Sir, if these are very

carefully examined, I am sure that the report of Mr. Galbraith will be read in a different way. In this country, if we look at the surcharge which is increased from 5 per cent. to 10 per cent., it will be realised that up to one lakh of rupees we pay 53.1 per cent., by way of direct taxation, and above one lakh of rupees we pay 88 per cent. by way of direct taxation so far as profits are concerned. In the United Kingdom it is 46.2 per cent., in West Germany it is 35.5 per cent., in France it is 25.9 per cent., in the United States of America it is 23 per cent., in Canada it is 27 per cent., and in the case of Japan it is 36.8 per cent. Now, Sir, above one lakh of rupees, there is a margin of 12 per cent. levy. As against that, we are charging 2½ per cent. and 2 per cent. by way of wealth tax which, on the basis of 6 per cent. return will amount to 33 per cent., minimum. Therefore, on an income of a hundred rupees above one lakh of rupees, and even below one lakh, between Rs. 70,000 and one lakh, if income-tax super-tax, surcharge and wealth tax are added, at least he will be minus by Rs. 19 and on an income of Rs. 100 he has to pay Rs. 119. I am not sorry for this. In a country which is wedded to a socialistic pattern of society this is good and nobody should complain. I am concerned with first of all direct and indirect taxation. If we add 12 per cent. more it will amount to a ceiling on income. I have pleaded for this repeatedly and I want once more to make it clear so that my friends who have been in that frame of mind may realise whether a ceiling on incomes is better or whether this type of taxation is better, whether the socialistic pattern can be ushered in in an honest way like this type of taxation or by a ceiling on income. Suppose, we put down a ceiling on income and say that Rs. 35,000 will be the maximum income, then we will have to do away with all these taxes. If you are going to guarantee an income of Rs. 35,000 to a man . . .

SHRI BHUPESH GUPTA: Subject to taxation.

SHRI K. K. SHAH: It will amount to Rs. 2,000 and then the ceiling will be Rs. 32,000 or Rs. 33,000. You are securing for him an income of Rs. 35,000 net, free of income-tax. The present form of taxation does not secure for him Rs. 35,000, not even Rs. 10,000 but if he goes on deficit, which is the better way of slowly and gradually removing inequalities and bringing about equalities. What would be the better way? Is a ceiling on income a better way of ushering in a socialistic pattern of society or is the present form of taxation?

Another complaint made is that the empire of those who have money is going on expanding and that they are making huge profits. I have dealt with the question of profits. My hon. friends forget the role that the L.I.C. plays, and I would request them to find this out. Even in the best of concerns where there are monopolies of ten or fifteen houses, you will find out what percentage of holdings is held by the L.I.C. There was a debate the other day in the Lok Sabha on the question of the investment of L.I.C. funds in these concerns. I hope they realise that on the one side the public sector and on the other side the ever-increasing investment of the L.I.C. funds in these concerns will augment what you wish to have in the public sector. If my hon. friends on the other side would only implement an additional suggestion of mine, that the gratuity and provident fund of the workers in the factories may also be invested in purchasing shares of the industrial concerns, then, with the L.I.C. funds and the workers combined together, I am sure in a period of ten or twelve years it will not be possible for anybody to complain that this empire is increasing its activity. It is from this point of view that I request friends to look at the statement in the Draft Outline of the Third Five Year Plan wherein it has been stated that the saturation point has been reached so far as direct taxation is concerned. If all attempts to augment resources by direct taxation

have not been made and if some alternative was left, I can understand. My hon. friend was complaining that we have not been able to draw the foreigners to the extent we should have. The only way you can draw them is by creating confidence, whether it is the U.S.S.R. or the United States of America, and that confidence can only be generated by proving that so far as we are concerned, we do not like to borrow or we do not like to do anything unless we have exhausted all our resources. Therefore, the first thing that you should do when you talk of deficit financing is to find out whether by way of taxation, direct or indirect, you have been able to get what you should in an expanding economy.

SHRI KHANDUBHAI K. DESAI: (Gujarat): We are not opposed to additional direct taxation if there is scope.

SHRI K. K. SHAH: I am not, if you can get it. I pointed out this thing, and if the hon. Member had been here earlier, he would have also agreed with me. I am not opposed to it. I say that the socialistic pattern of society must impose the maximum burden on those who can pay. I am one with you there if you can do it. But in doing so I was only pointing out whether a ceiling on income is desirable or whether the present form of taxation is desirable. For example, I said, when my hon. friend was not here, that below one lakh we were charging 53.1 per cent. by way of direct taxation and above one lakh we were charging 88 per cent. which will leave a margin of 12 per cent. If you remove that margin of 12 per cent. then it amounts to a ceiling on income. When you impose a ceiling on income you cannot ask me to pay further taxes. That is my point. You charge as much as you can but the only consideration should be whether capital formation is necessary or not and whether it will affect the rapid industrialisation.



[Shri K. K. Shah.]

If it is likely to affect the rapid industrialisation of the country or the capital formation, then it should not be done. The Finance Minister has devised a fine method in addition to this. This is in conformity with the socialistic pattern of society but in addition to this he has gone a step further. Now, till last year the L.I.C. paid tax to Government and that tax was shown in the dividend that was given and one could claim refund. Last year the Finance Minister came up with a proposal and he did away with that rebate. In addition, he is at present deducting the tax from the dividend. That means, last year if a dividend of Rs. 20 was given and if Rs. 5 was the tax, if Rs. 25 was paid by the Corporation, he could claim a refund on Rs. 25 but today it is Rs. 5. In addition, out of this Rs. 20 the Government is deducting again Rs. 5. Now, I am pointing out these things so that my friends on the other side might consider them carefully. I would request those who feel that the taxation proposals of the last three years are not absolutely in conformity with the socialistic pattern of society or with the object that we have set before us of reducing inequalities, of providing equal opportunities to others and of mopping up the profits from wherever we can, to carefully examine the taxation proposals and I am sure they will be fully satisfied that everything possible has been done. Instead of criticism, for devising these ways and methods the Finance Ministry deserves congratulations. I can never dream of the refund being removed and the tax also being deducted so that the man has again to go for claiming the refund.

My hon. friend, Dr. Dahyabhai Patel, was talking about a car in the public sector, socialistic pattern of society, tax on bonus shares and so on and ultimately he ended by making not a very clear statement. I do not know whether he realised that he was contradicting himself. First, he made the statement that the blue-eyed boys of the Congress knew in advance that

licences were likely to be issued and so they were prepared with their applications and he particularly referred to the export of cotton bales. In the next sentence he says that instead of giving licences for one lakh bales, since the blue-eyed boys were not prepared, the quantity was reduced to 30,000. First, he complained that the blue-eyed boys of the Congress got all the information in advance and they were ready with the applications and that was why all the licences had gone to them and in the next breath he went on to say that they were not ready and so it was reduced. But he did not say out of these 30,000 bales how much the blue-eyed boys of the Congress got. And he went on to make some personal references. I hope instead of going into personal things in this way he will carefully examine the case before making allegations and criticisms. Therefore, my point is that Government have done everything so far as direct taxation is concerned and if any expert can still point out that it is possible to levy further direct taxation, I have no objection. But having exhausted all our sources of direct taxation, the only alternative to complete the Third Five Year Plan is to resort to indirect taxation but in levying indirect taxation care must be taken to see that the burden mostly falls on those who are capable of paying or who can impose a cut in their expenditure. Those who have little to spend should not be subjected to it. There may be cases where in trying to mop up here and there some people may suffer but I think it should be regrettably done. It is from this point of view that, out of the 31 imposts that have been suggested by the Finance Minister, I would like them to examine 18, that are covered by the Central Excise. If the index in respect of the commodities is examined it will be seen that it has risen by 0.4 per cent. over the pre-Budget level to 126.4. In the same way the consumer price index has risen by 0.4 per cent. in Bombay, by 0.3 per cent. in Calcutta, by 0.2 per cent. in Delhi and by 0.5 per cent. in Kanpur. Now, I wish that this also

could be avoided. I am quoting these figures for the purpose of satisfying my friends that the Finance Ministry has been careful enough to see that if it has regrettably to resort to indirect taxation it has done so in a way whereby the consumer price index has been disturbed to the minimum.

**SHRI MULKA GOVINDA REDDY:** That is only theoretical; in actual practice the prices have gone up much higher.

**SHRI K. K. SHAH:** I would love to hear the other side. It is better that there is an exchange of views. If there are other figures you can certainly present them because that is the method of learning from each other. His turn will be coming and I will be very happy to learn that there is some other way. I am not producing my own figures. I am producing figures that have been practically accepted by everybody.

Sir, there is a minor point to which I wish to draw the attention of the House. Mr. Dahyabhai Patel has referred to that point and that is about the question of countervailing duty so far as rayon yarn is concerned, because that affects the weavers. I would like to give a few figures so that this could be fully understood. In 1956 excise duty was started on the indigenous yarn and customs duty on imported yarn. I am referring to this because this affects the small weavers. Eight annas was the excise duty below 75 deniers. I am talking only of one instance and others need not be taken because the same pattern is followed all over. And a customs duty of Rs. 2 was levied on imported yarn. This customs duty of Rs. 2 was taken to include the excise duty of eight annas so that the cheap rayon yarn which will be imported will be on par and will be able to compete in the market with the indigenous yarn that is manufactured here. At present there has been an increase of Rs. 1.20 in the excise duty. After conversion to kg. last year the excise duty per kg. was Rs. 1.80 and the customs duty on imported yarn was

Rs. 5.10. There is an increase of Rs. 1.20 in the excise duty and if you add that to Rs. 5.10 it will be Rs. 6.30. I do not know; probably it may be a mistake in calculation. Instead of putting it as Rs. 6.30 it is given as Rs. 7.45. I hope it will be possible for the Government to examine this carefully because there is no question of any competition between the indigenous yarn and the imported yarn because we are short of rayon yarn and it is rationed. So far as imported yarn is concerned it is given against the export quota. There is no question of competition. On the contrary, what little he loses on account of foreign competition, he makes it up by the cheap price that he pays for the imported rayon. I hope it will be possible for the Government to examine this question.

**SHRI MULKA GOVINDA REDDY:** Mr. Deputy Chairman, I would like to make some observations while discussing the Finance Bill, 1961. The proposals of taxation, as adumbrated in the Budget proposals and as incorporated in the Finance Bill, hit the poorer sections of the people much more than the people who can bear the burden. The direct taxation will yield about Rs. 3 crores, whereas the indirect taxes will yield nearly Rs. 60 crores. We are not opposed to taxation as such, but we are really opposed to taxation of people who are not able to bear the burden. We would welcome taxation of those who can really afford to pay. The proposals that are now before us are such that we cannot lend our support to them, particularly because the man in the street is hit very hard by these indirect taxes. Mr. K. K. Shah was telling us just now that the rise in prices on account of these taxation proposals was 0.3 per cent. in some places, 0.4 per cent. in some places and that it was estimated that the rise in prices was only 0.46 per cent. As far as theory goes, it is true. As far as the labour indices, go, it is true. But in practice the prices have gone up to such an extent that in certain

[Shri Mulka Govinda Reddy.] cases the prices went up by 60 per cent. For example, a packet of matches which was costing 6 nP. went up in price immediately after the taxation proposals were announced. For nearly two or three weeks a packet of matches was costing about 10 nP. Similarly, cigarettes were costing more, Kerosene was costing more. The hon. Finance Minister was trying to make some distinction by saying that inferior kerosene was not going to be taxed. It is only the superior quality of kerosene that is going to be taxed. In almost all villages where there is no electricity, and even where there is electricity, it is the superior quality of kerosene that is used for lamps, etc. So, the taxation proposals that are now before us, which are mostly indirect taxes, are going to hit larger sections of the population. It is true that we have got to raise the resources for fulfilling the Five Year Plans that we have placed before ourselves and for achieving a socialist society. We must raise some resources for completing these Five Year Plans. But the resources should be raised from such sections of people who can afford to pay and who are all along exploiting the poorer sections of the people. I would have very much welcomed it if the Finance Minister had proposed excess-profits tax or enhancement of the wealth-tax. None of these proposals have found favour with the Finance Minister, even though those suggestions have been made not only from this side, but also by some prominent Members from his own side.

Now, I would like to touch the policy of prohibition. The Finance Minister is mad after this policy. It is a fad with him, even though he knows that this policy of prohibition has not been a success, even though he knows that the resources of the country, particularly in some of the States where complete prohibition has been introduced, have been unnecessarily squandered and the policy of prohibition has not been a success. He has been persisting that this policy of prohibition should not only be preserved but

also continued in States where this prohibition policy has not been introduced. It is high time that we thought of scrapping this policy of prohibition. By scrapping prohibition we are going to get hundreds or crores of rupees, which we need for implementing our Third Five Year Plan. On the other hand, it has led to bootlegging and in every village you will find illicit distillation, which has become almost a cottage industry

Foreign trade is a very important source of income to the State. Unfortunately, today very little of foreign trade is being handled by the State Trading Corporation. The State Trading Corporation has been established by the Government of India with a view to seeing that all imports and exports are handled by it, the entire foreign trade is handled by it. Unfortunately today most of the foreign trade is in the hands of private entrepreneurs, particularly foreign concerns. More than a thousand crores of rupees worth of foreign trade is being handled by them. If only the entire foreign trade is handled by the State Trading Corporation, Rs. 100 crores more as profit would accrue to the Government, which would help in executing the Five Year Plans.

The Life Insurance Corporation came into being some years back. Life insurance was nationalised because some of the life insurance companies were not acting properly. They were acting more in the interests of some big business houses to further their business interests and not in the general interests of the policy-holders or in the general interests of the country. So, life insurance was nationalised. Similarly general insurance business, which is now being handled by a good number of private concerns and companies, should be taken over by Government and it should be nationalised. By doing so large funds will be made available for the Government to implement their Plan projects.

When an hon. Member made a reference that privy purses should be stopped, the Finance Minister was telling us that we should honour our word which we have given to the princes. What about the word of honour you have given to the 400 millions of people when you took over the administration of the country and when the country became independent, namely, that their standard of living will be raised, that they will be given proper clothing, that they will be given proper shelter, that they will be given proper education and that they will be given enough food? What about the word of honour that you have given to the people of this country, that you have made public, that you have made a propaganda of in your election manifesto that the living conditions of the people will be improved, that the standard of living of the people will be improved? What about the solemn vow that you have taken that a socialist society is going to be established? And that is a resolution that has been passed by Parliament. When that is the position, automatically the word of honour that you had given to the princes with regard to their privy purses should not hold good in view of the fact that you have declared your aim to be to promote the establishment of a socialist society in India. It is not compatible for a handful of princes to go on merrily with their privy purses and spend recklessly and live in luxury, whereas 90 per cent. of the people live in squalor and misery. What sort of socialist society you are going to establish if you are going to perpetuate this class system?

Sir, regarding the investment policy of the Life Insurance Corporation I would like to say a few words. We have nearly Rs. 60 crores to Rs. 70 crores which we get from the L.I.C. funds for investment. A tirade has been carried on against the Estimates Committee for their recommendation that the investible funds of the Life Insurance Corporation should be taken over by Government as a repayable debt. Many prominent news-

papers owned by big concerns have bitterly criticised this recommendation of the Estimates Committee without going into the details of the recommendation and without having a proper understanding of it. The private sector has come with an iron hand against the recommendation of this Committee. It is desirable, Sir, that we should go into this question more deeply and assess whether the recommendation of the Estimates Committee is proper and should be implemented by the Government.

When the Life Insurance Corporation Bill was discussed in 1956 in Parliament, the then Finance Minister, Shri Dashmukh, made out certain points. The private sector now thinks that those assurances are going to be given a go-by by implementing this recommendation of the Estimates Committee. The Finance Minister then said:

"The Corporation will be guided by the advice given to it by the Investment Committee which will be constituted for the purpose and on which there may be besides the members of the Corporation others who have expert knowledge of the subject. It is our intention to indicate in a broad manner what type of investment the Corporation should avoid and which particular types of investment it should view with favour. The investment in ventures established in pursuance of the Plan would be given preference over others, and the investment policy would be governed in the main by the major considerations such as the interests of the policyholders and the interests of development envisaged in the Second Five Year Plan and subsequent Plans.

I would like to tell the spokesmen of the private sector, industrialists and others that it is not Government's intention to divert the flow of funds, that is large dimensions of the present funds, to the public sector to a greater degree than at present. Now it is my endeavour

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to see that at least as much money as is available today is made available for investment in the private sector."

The second paragraph which I have just now quoted is governed by the first paragraph that the investment in ventures established in pursuance of the Plan would be given preference over others and the investment policy would be governed in the main by the major considerations such as the interests of the policy holders and the interests of development envisaged in the Second Five Year Plan and subsequent Plans. An uproar is being created by the private sector saying that if the recommendation of the Estimates Committee is accepted, the private sector will be denied of the assurances that were given by the Finance Minister when the L.I.C. Bill was discussed and debated in the Lok Sabha. What is made out by the Estimates Committee in their recommendation is that the funds of the L.I.C. should not be utilised for speculative purposes. On the other hand those funds should be utilised for bringing new industries into being and for fulfilling the targets of Plan programmes. I quote from the 134th Report of the Estimates Committee, 1960-61:

"Regarding the assurances held out by the Finance Minister in regard to making investments available to the private sector, it is clear that the intention was more to help the development of industries in the private sector than in going to the share market and merely dealing in stocks and shares. It has to be accepted that intention of the assurance could obviously be to provide aid for the development of new industries or expansion of existing ones.

It would be seen that out of an amount of Rs. 7.04 crores invested in 1959 in shares and debentures, Rs. 4.81 crores, i.e., 68.5 per cent was in shares already in the market.

Only Rs. 17.15 lakhs, i.e., 2.4 per cent. was invested in the shares and debentures of newly floated companies while a little over 29 per cent. was invested in the shares and debentures floated by existing companies presumably for expansion or modernisation.

Purchase of shares already in the market can be hardly held to serve the purpose of aiding the development of new industries or expansion of existing ones. They would mostly go to the benefit of the persons who are already possessed of such shares, very likely for speculation. That the L.I.C. could buy only Rs. 17.15 lakh worth of shares/debentures of newly floated companies and Rs. 205.58 lakh worth of shares/debentures floated by existing companies during 1959 would indicate the inherent limitation of L.I.C.'s role in achieving the above purpose. The fact that other public undertakings like the Industrial Finance Corporation, Industrial Credit and Investment Corporation of India and State Industrial Finance Corporations, which could finance new industries on a development basis have come into operation would seem to make the role originally contemplated for the L.I.C. in this respect somewhat superfluous."

Again, when the L.I.C. Bill was discussed, it was one of the objects that there should be diversification of funds. That means that the funds of the L.I.C. should be distributed evenly throughout the country. But what has been done in the last three years will show that the funds of the L.I.C. are utilised more or less in areas where there is already a developed economy and where more industries have come into being. The figures will show that the funds that were invested in 1957 in Andhra were 4.17 per cent. In 1953, it was 4.69 per cent. In Kerala, it was 1.10 per cent., in Madras it was 9.07 per cent. In Mysore, it was 3.89 per cent. But in Bombay, it was 32.17 per cent., in West Bengal, it was 26.96 per cent. In 1959, in Bombay, it was

30.87 per cent. and in West Bengal 24.08 per cent. And in the entire Southern States put together, the investment was about 14 or 15 per cent. The Chairman of the Life Insurance Corporation who appeared before the Estimates Committee, when asked as to whether it was desirable that the investible funds of the L.I.C. should be made over to the Government, said that in the best interests of the L.I.C. to secure more insurance business and to serve the policy-holders, it would be better if the L.I.C. was divested of this responsibility. This is on page 54.

"The investment in ventures established in pursuance of the Plan would be given preference over others and the investment policy would be governed in the main by the major considerations such as the interest of the policy-holders, interest of development envisaged in the Second Five Year Plan and subsequent Plans."

"At present the Corporation gets a return of about  $3\frac{1}{2}$  per cent. net, excluding refund of income-tax, on its investment as a whole. The Chairman, of the Corporation told the Committee that the Corporation could meet its liabilities on a return of 3 per cent. on its investments. It is worth noting that when it was put to him whether it would be not desirable for the Government to take over the entire investible funds of the L.I.C. at a rate of interest pre-determined periodically so as to give the Corporation an adequate return, leaving it free to concentrate on business and servicing, he said that personally he saw no objection to the suggestion. He added: 'The only thing is that a reasonable rate of interest will have to be assured to the Corporation.'"

"Apart from security and adequacy of return, the prime purpose of LIC's investments should be the furtherance of the Five Year Plans. The Third Plan has a deficit of Rs. 550 crores. The estimated addition to life fund during the Third

Plan period is Rs. 450 crores. Even assuming that all the investments in the Government and approved securities go for the Plan programmes, on the present basis of the investment pattern (70 per cent.) of the LIC about Rs. 135 crores would not be available for the Plan. It is also difficult for the LIC in purchasing Central and State Government and approved securities to determine which of the securities would go to help the Plan programmes. The best judge for that purpose obviously would be Government."

"The Committee feel that it would be in the interest of the country and the Plan programme for the Government itself to take over the entire investible funds of the LIC as an unfunded debt. The interest payable by Government could be pre-determined periodically in consultation with the Corporation to give an adequate return to meet the Corporation's liabilities. It should not be difficult for Government to pay an interest @ 3% deemed to be sufficient by the Chairman, LIC or for a matter of that even something more. Such an arrangement would provide in the Third Five Year Plan period an estimated amount of Rs. 135 crores in addition to a sum of Rs. 315 crores approximately which could be utilised by Government to the best advantage for the development plans. The various requirements of diversification, development, social advancement and furtherance of the interests of the community as a whole could be better served by Government with the help of the funds provided by the LIC for the plan than could be done by the Corporation itself. Government could likewise provide funds for the development of new industries or expansion of the existing ones contemplated evidently for the private sector under the Third Plan. Such investments could be made through other financing agencies in the public sector, taking into account the size of investments made by LIC, for

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this purpose in the past and the allocations in the Plan."

"The Committee recommend that the desirability of changing the present policy of investment of the LIC on the above lines may be examined by Government."

Sir, we had a discussion in this House regarding the investment of LIC funds in Mundhra shares, which was a very speculative business and which brought discredit not only to the LIC but also the then Finance Minister who was obliged to resign. Some of the big newspapers in India which are owned by these Marwari concerns have been carrying on a campaign against the recommendations of the Estimates Committee saying that the private sector is being denied the opportunity of developing themselves. Yes, it is true that the recommendation of the Estimates Committee, if accepted by Government, will not allow the speculators to speculate on the stock exchanges in Bombay or in Calcutta. They do not like that these concerns which deal in speculation should thrive on the funds of the policy-holders which means the funds of the general public. "Commerce", an organ of progressive business in Bombay, has this to say in this connection:—

"There is no real reason to feel that the interests of investors will suffer, if the L.I.C. ceases to buy the equities of existing companies. Indeed, the intrinsic merits of the Committee's recommendations are of a high order. They suggest that the Committee has paid serious thought to the problem of ensuring that the savings collected by the L.I.C. are more effectively utilised for realising the objective of planned economic progress than has been the case so far. There is no bias, against the private sector in the

Committee's recommendations, a factual summary of which is published elsewhere in this issue. On the contrary, they would, if implemented, help the private sector to play a vigorous role in the drive for rapid industrialisation of the country. The Committee has made it clear that it does not wish to see a reduction in the proportion of investments made by the L.I.C. in the private sector."

Then it goes on to say:

"As the Estimates Committee itself rightly says, the L.I.C.'s investments in stocks and shares 'lead to allegations and aspersions which, though they may not be justified in most cases, yet may do little to increase the prestige of the Corporation.' This remark is actually an understatement, because the Corporation's prestige has suffered heavily due to not infrequent and allegations of corruption, favouritism and inefficiency in the investment of its funds in stocks and shares. It is said that the Finance Ministry is opposed to the Estimate Committee's suggestions and the stand taken by the LIC Chairman. This is understandable, because it is a thankless task for anyone to undertake this responsibility."

MR. DEPUTY CHAIRMAN: You are reading, from newspapers. We want your opinion, not the newspapers' opinions.

SHRI MULKA GOVINDA REDDY: No, no. I am quoting the opinion of an important paper of Bombay.

MR. DEPUTY CHAIRMAN: You are reading the whole paper.

SHRI MULKA GOVINDA REDDY: No, no. I am quoting only an extract, I am not reading the whole paper.

"Surprisingly enough, they seem to be oblivious of this point. There is no reason to feel that the withdrawal of the LIC from the stock

exchanges will lead to a crash. In the first place, the LIC's investments in equities have been relatively small, less than Rs. 6 crores per annum. Secondly, such investments have been spread over a very large number of scrips of which a good many are back-benchers. And, thirdly, there is a dearth of good scrips, a position that will continue for several years to come.

"Those who argue that the boom on stock exchanges should be kept up with the help of LIC funds in order to enable new companies to get capital are suggesting that the LIC should be a party to beguiling investors into doubtful ventures or to enabling company promoters to earn windfall profits by collecting a sizable premium on new shares." So, this paper has vindicated \* \* \*

MR. DEPUTY CHAIRMAN: Do you want to continue?

SHRI MULKA GOVINDA REDDY: Yes.

MR. DEPUTY CHAIRMAN: Then you may continue tomorrow.

The House stands adjourned till 11.00 A.M. tomorrow.

The House then adjourned at five of the clock till eleven of the clock on Thursday, the 27th April, 1961.