

ment to the Evacuee Interest (Separation) Amendment Bill, 1960, which was passed by Rajya Sabha at its sitting held on the 9th August, 1960."

REFERENCE TO NOTICE OF MOTION *RE* THE AFFAIRS OF THE PUNJAB NATIONAL BANK

SHRI MULKA GOVINDA REDDY (Mysore): Sir, I have given notice of a motion calling for a statement from the Finance Minister regarding the affairs of the Punjab National Bank.

RESULT OF ELECTION TO THE CENTRAL ADVISORY COMMITTEE OF THE NATIONAL CADET CORPS

MR. CHAIRMAN: Dr. Kunzru being the only candidate nominated for election to the Central Advisory Committee of the National Cadet Corps, I hereby declare him to be duly elected to be a member of the said Committee.

ALLOTMENT OF TIME FOR THE CONSIDERATION OF THE MOTION *RE* THE CLOSURE OF THE PALAI CENTRAL BANK

MR. CHAIRMAN: I have to inform Members that under rule 153 of the Rules of Procedure and Conduct of Business in the Rajya Sabha, I have allotted two hours for the consideration of the motion in respect of the closure of the Palai Central Bank.

**THE TAXATION LAWS
(AMENDMENT) BILL, 1960—
*continued***

THE MINISTER OF REVENUE AND CIVIL EXPENDITURE (DR. B. GOPALA REDDI): Mr. Chairman, we had a very interesting debate on the amending Bill which I proposed the

other day. Objection was taken that we were trying to shelve the recommendations of the Direct Taxes Administration Enquiry Committee. Sir, it is not a fact and I may straightway say that I am likely to make a statement with regard to the decisions taken on the various recommendations before we rise, and a comprehensive Bill, if possible, will be introduced during the November session.

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SHRI BHUPESH GUPTA (West Bengal): No, Sir. The hon. Minister said in the other House that it would be introduced during the November session, that is to say, November-December session. Here, he says two or three months.

MR. CHAIRMAN: November session.

SHRI BHUPESH GUPTA: Whenever statement you take, the Bill has got to be introduced at the next session. The Government is committed to it.

MR. CHAIRMAN: That is what he has said.

DR. B. GOPALA REDDI: That is our intention; we want to introduce a Bill in the November session, if possible. It is in the hands of the Law Ministry now; it is in the hands of the draftsmen. We have taken our decision. We have forwarded the material to the Law Ministry and they will take two or three months. After all, it is a very complicated Bill. They have to consider the Law Commission's Report also, and on the top of it, all the recommendations made by the Tyagi Committee also have to be considered and the Bill has to be properly drafted, so that the courts cannot question the provisions. We do not want anything to be declared *ultra vires*. Therefore, there is no question of shelving the recommendations. We have appointed a Committee. We have examined the matter. We have taken decisions on the Committee's recommendations and as I said in the beginning, I am

likely to make a statement before we rise, as to what decisions we have taken on the major recommendations. Therefore, there is no question of evasion at all.

Sir, hon. Members asked why this provision alone was being brought in here when the other amending Bill was likely to be introduced in the next session. The decision with regard to the secrecy provisions was taken a long time ago, and we were only awaiting the Report of the Tyagi Committee and we did not want to rush through one decision alone and we wanted to see what the Committee also had to say with regard to the secrecy provisions. And for-12 NOON

Unfortunately for the Government the Tyagi Committee also came to the same conclusion that the secrecy provisions may be removed and information may be given to the public in certain cases. Therefore, this thing is being tackled separately without waiting for the amending Bill. As I said, the amending Bill might take a few more months. It may be that we may be able to introduce it in the Budget Session. Then it has to go to a Select Committee and it may be passed finally in the July-August session. So, we do not want to wait till the other comprehensive Bill comes up.

SHRI JASWANT SINGH (Rajasthan) : In certain respects you have gone beyond the recommendations of the Tyagi Committee in the matter of secrecy clause.

DR. B. GOPALA REDDI: As far as the secrecy provision is concerned, we do not derive any inspiration from the Tyagi Committee Report. The decision was taken long prior to the receipt of the Report. It is only incidental that the Tyagi Committee also came to the same view that the Secrecy provisions should be done away with. We did not go strictly by the recommendations of the Tyagi Committee.

Sir, with regard to tax evasion Mr. Bhupesh Gupta asked us. Why are you not tackling the problem of tax evasion in a comprehensive manner instead of coming up merely with the proposal to relax the secrecy provision? As I said, we are not proposing the tax evasion problem. This, it is the secrecy here and the may await the Bill for effect dealing with the tax evasion. He will then have the opportunity to make his comments in a Tull manner.

Sir, when I interrupted Mr. Bhupesh Gupta that the Finance Minister's statement which he made and the present provisions of the Bill are

not contradictory, he confused himself and he tries to confuse the House also. What I said was that the Finance Minister never meant that all the names would be published . . .

SHRI BHUPESH GUPTA: It is a reflection on the House. He said that I confuse the House. It is not a reflection on me, it is a reflection on the House.

DR. B. GOPALA REDDI: I said "he tries to confuse the House".

MR. CHAIRMAN: He said, "he tries to confuse the House".

SHRI BHUPESH GUPTA: It is a confusion of the House.

DR. B. GOPALA REDDI: Sir, I was saying that there was no confusion at all with regard to the spe

each he made and with regard to the provisions of the Bill that the secrecy provision must be done away with and the necessary information and the circumstances should be made available to the public. He did not mean all the names automatically, *ipso facto*, to be published in the Gazette of India at the instance of the Commissioners. He only meant that hereafter the secrecy provision should be done away with and in certain circumstances the information can be

[Dr. B. Gopala Reddi.]

made available to the public on requisitioning and things like that. He did not mean that he wanted to publish all the names *suo moto*.

With regard to the main provisions of the Bill some people said that it was going to lead to blackmailing; that this sort of information which is private just now, which is confidential, which is personal, is going to be made available to all sorts of people for all sorts of purposes and, therefore, it might lead to blackmail. Others wanted that all the names should be published without any reservation and the Government or the Commissioner should not have any power to withhold any name; the information must be made available to anybody who is interested in trying to know the income-tax or the other taxes concerned.

SHRI JASWANT SINGH: The question of blackmailing will arise if the information is given only to a few people who are interested in the assessment of anybody or somebody. They will try to go to the officer concerned and try to take the information and then blackmail the party. Therefore, instead of giving this information to a selected few, if it is thrown open, the question of blackmailing will not arise at all. It arises if it is given to a selected few who are interested in particular assessee and ask for the information.

DR. B. GOPALA REDDI: As far as the people on whom a penalty has been levied or people who are convicted for non-compliance of the returns and things like that are concerned, their names are published in the Gazette of India by the Government itself. But when a person wants to have the information, he will have to fill up the prescribed form and pay the prescribed fee to get the information. Therefore, Sir, we shall see that it does not lead to blackmailing, and it is not our intention to publish all the names automa-

atically. Where there is a penalty, the name is published in the Gazette of India. With regard to any individual's income or any company's income or the wealth-tax or the gift-tax, he has to go to the Commissioner, fill up the prescribed form, pay the prescribed fee and get the information. Therefore, we shall see that it does not lead to blackmailing. So far as an honest assessee is concerned, there is nothing to be afraid of and this information, tax assessed or tax determined, can be made available and there is no question of blackmailing. Anybody can go and get the information from the Income-tax Commissioner. Therefore, there is no need for publishing all the names of the assessee. They may run into thousands for which there may not be any need at all. Where, of course, anybody is inquisitive or if he wants it for legal proceedings, he can go to the Commissioner's office and pay the prescribed fee and get the information. Therefore, the Government has taken a *via-media* view in the matter.

Sir, we have the right to withhold a name also, because once we find that it is being used maliciously against a person or when it is being obtained by a person who is a confirmed blackmailer then, after all, it is left to the discretion of the Commissioner to withhold that name. In other cases, ordinarily, that information will be made available. But if the Commissioner has information that it is likely to be abused or it is being asked for maliciously, he must have the right to withhold that name.

SHRI BHUPESH GUPTA: Suppose I come to the Commissioner and ask for the information. How does he understand whether I am asking for it maliciously or not?

MR. CHAIRMAN: He would not give you.

SHRI BHUPESH GUPTA: I know that. That is my fear.

DR. B. GOPALA REDDI: After all, it is a residual power. The Commissioner must have that power to withhold any name if he is convinced that the purpose for which it is being asked is *mala fide*. Suppose he is repeatedly asking about some person or a set of persons and things like that and he is trying to harangue about it on the public platform, the Commissioner may withhold the information. Ordinarily it is not our intention to withhold any name. It is given but when . . .

SHRI BHUPESH GUPTA: Have you heard, Sir—"Haranguing about it on a public platform"? Here is a political motive. Now the cat is out of the "bag."

MR. CHAIRMAN: Why do you think "haranguing on the platform" applies to you?

SHRI BHUPESH GUPTA: Whoever wants to expose the tax evaders.

DR. B. GOPALA REDDI: Even though the hon. Member knows the tax determined, he will not know all the details of the assessment order. The assessment order would not be given to him. Only the tax determined by the Income-tax Officer, after going into the various exemptions and things like that will be given, and if the hon. Member without going into all the exemptions, without going into the details of the assessment order, twists the order, goes to the platform and says that such and such a man is creating the income-tax department, it is not a very good intention. If he knows the full detail . . .

MR. CHAIRMAN: It would not be given to him.

DR. B. GOPALA REDDI: But if he successively pursues the matter for three or four years . . .

MR. CHAIRMAN: It is a hypothetical question. Please go on.

DR. B. GOPALA REDDI: The power of withholding names has been recommended by the Tyagi Committee and it is a" so one of the provisions in the New Zealand Act. It is not as though we are trying to do it for the first time in the history of income-tax. We are following a precedent which already obtains in the New Zealand Act also.

Then, Sir, people have asked—both Mr. Bhupesh Gupta and Mr. Sinha also asked—why no prosecutions have been launched all these years?

SHRI BHUPESH GUPTA: I said convictions.

DR. B. GOPALA REDDI: Conviction without prosecution?

SHRI BHUPESH GUPTA: If they prosecute . . .

DR. B. GOPALA REDDI: A long time ago various commissions also went into (his question. There is a big history in regard to these prosecutions. When we go in for a prosecution, we are not quite sure of the verdict of the court because sometimes the court is not convinced. There may be a slight lacuna and the court might throw it out. We know in some cases where it took us years to get a verdict from the courts or from the tribunal. The cost involved also is enormous. I know in one case for getting a prosecution we had to spend nearly eleven lakhs of rupees and in another case about four lakhs of rupees. Sometimes it takes an unusually long time. Officers have to come from long distances, and ultimately, we know, we are not quite certain of the verdict of the court. There may be some lacuna and they may throw out the prosecution. Therefore, we have to think many times before we launch a prosecution. When we are fully certain that the prosecution will end in conviction, we take the case to the court.

(Dr. B. Gopala Reddi.)

However, in this connection I would like to refer to two significant events which took place during the last few years. The first was the appointment of the Income-tax Investigation Commission which went into the cases of concealment of large scale profits made during the last war. Many of the cases which went before the Commission have been settled and one of the terms of settlement in those cases was that there would be no prosecution in respect of the concealed income. Sir, this was in the post-war period, round about 1948-49, and there was a definite assurance given to them that in all those cases where they referred to the Investigation Commission, there won't be any investigation in respect of the concealed income.

[MR. DEPUTY CHAIRMAN in the Chair]

In 1951, Sir, a Voluntary Disclosures scheme was introduced under which persons whose cases had not been referred to the Investigation Commission were allowed to disclose their concealed income under a guarantee of amnesty from prosecution. Thus, Sir, in respect of concealment of the large war-time profits no action could be taken for prosecution. Therefore, apart from those assurances, Sir, in view of the protracted litigation that was likely to ensue and also the cost involved, we thought many more times before launching any prosecution. It is not as though we are soft to assessees, but we want to be certain of what is happening. And when a man is penalised and there is a heavy penalty levied on him, if he does not appeal, there is an end of the matter; otherwise there will be protracted litigation for nobody's benefit.

Then, Sir, Mr. Bhupesh Gupta was referring to Prof. Kaldor's Report and he also asked: What are these arrears which have suddenly come down from Rs. 270 crores to Rs. 134 crores and things like that? Sir, I had also gone through Prof. Kaldor's Report^f. He expected that the wealth-

tax would yield Rs. 15 to Rs. 25 crores, the expenditure-tax Rs. 10 to Rs. 15 crores and the gift-tax Rs. 30, crores, making a total of Rs. 60 to Rs. 100 crores under these three items. But as it is, we are getting less than Rs. 10 crores now under these three items. It only shows how Prof. Kaldor's expectations went off the mark in a very considerable manner and we need not therefore try to look into that Report for all these things.

SHRI JASWANT SINGH: But you have not taken into consideration his full taxation Report, because therein he suggests that the income-tax will be reduced and it should not go beyond a certain limit.

DR. B. GOPALA REDDI: In that case, Sir, we did not accept all his recommendations; we need not abdicate in favour of Prof. Kaldor. After all we have to use our own discretion also.

SHRI JASWANT SINGH: That is not my point. My point is that you cannot take one thing and leave the others. His expectations would have come true provided his other suggestions had been adopted.

SHRI BHUPESH GUPTA: The hon. Member's point is that you accept them so that he gets the benefit immediately.

DR. B. GOPALA REDDI: We could not accept all his recommendations and his final conclusions also were off the mark, because we are getting less than Rs. 10 crores in all, whereas he expected Rs. 60 to Rs. 100 crores. So, there the matter ends and Prof. Kaldor need not be brought into this debate with regard to these matters.

Then, Sir, with regard to arrears also, we have been telling the House repeatedly that effective arrears are different from gross arrears. But in spite of that, hon. Members are fond

of repeating the Rs. 270 crore information which was given to them some time back. They want to conveniently forget what we are saying about effective arrears. Well, Sir, we have got the statement here and the hon. Member can examine it, if he wants, and see things for himself. On 1st April, 1960 these effective arrears were only Rs. 133 crores. In arriving at this figure we have to exclude from the amount shown in the books of the department a sum of Rs. 43 crores representing the amounts which, though raised before 31st March 1960, had not fallen due for payment on that day. There is some time-limit given—15 days or one month. Therefore, Sir, it had not fallen due. Over Rs. 6 crores represent the amounts pending settlement of double income-tax and other relief claims. Provisionally, they were made but they were not finalised and they were pending final assessments in the United Kingdom, because the question of double income-tax relief and things like that was there. In the case of these claims the amounts are only paper amounts and they will be wiped off after the claims are settled. About Rs. 11 crores are due from persons who have left India without any assets. What shall we do with them? What is the use of saying that Rs. 11 crores are also recoverable, when they have left India without leaving any assets?

SHRI BHUPESH GUPTA: Why did not you catch them?

DR. B. GOPALA REDDI: They have already left for Pakistan or some other place.

SHRI BHUPESH GUPTA: They were here.

DR. B. GOPALA REDDI: About Rs. 11 crores are no doubt due from them but they are really no assets because they have left India without any ostensible assets here. It should not be mistaken that these assesseees are well known rich people against whom the department is rather slow in taking recovery measures. But they have no

visible assets in this country from which recoveries can be made, although such recovery orders have already been issued. (Interruption) We have got a full statement with regard to gross and effective arrears and hon. Members can satisfy themselves that we are trying our very best to get back these effective arrears. But there are some amounts which are not likely to be recovered because some people have left India with no assets here and things like that. Some companies have also gone into liquidation. All these details are available here and if the hon. Member wants . . .

SHRI BHUPESH GUPTA: I would like to have those details.

DR. B. GOPALA REDDI: Certainly you can get them. Therefore, Sir, with regard to effective arrears also, there is not much of a case.

With regard to development rebate, Mr. Jaswant Singh also wanted that it should be applicable to motor vehicles and my friend, Mr. Chinai, wanted it to be given in the case of typewriters, etc.

SHRI JASWANT SINGH: I pointed out some contradiction in regard to development rebate. Some of the recommendations were accepted but the initial depreciation allowance has been taken away; the development rebate has also been taken away. That is because of some decision of the court. I feel that this is rather unfair.

DR. B. GOPALA REDDI: There was a time when this initial depreciation allowance was given on all machinery, but it was withdrawn and the development rebate came in its place. What I mean to say is that the initial depreciation allowance and the development rebate were never co-existing. One was withdrawn and another came in. When this was withdrawn, it was withdrawn in the case of every ma-

LDr. B. Gopala Reddi.] chinery and the development rebate has come in for certain industries only—for machineries installed into business. Even when the Bill was under discussion, Shri C. D. Deshmukh, a former Finance Minister made it quite clear that it won't apply to motor vehicles, etc. Of course, later on, the Words 'machinery installed' were construed by the courts. They also asked: Why don't you have transport vehicles also included in the term 'machinery installed'? 'Installed' means not actually plan-ting into the ground, but introduced into business. That is the construction which they gave, and the Government is now trying to amend it to carry out its original intentions. It was never meant to be given in the case of motor vehicles, nor in the case of typewriters and office appliances and things like that. Motor vehicles, when they are introduced into business, whether they are actually in the transport trade or whether they are motor vehicles of any industry, get the normal depreciation allowance of 25 per cent. If they are lorries, trucks and buses, they get 25 per cent. If they are cars, they get 20 per cent. But they want this extra development rebate which is available to other industries and which will not be available to motor vehicles and office appliances like typewriters, etc.

SHRI JASWANT SINGH: You give to shipping.

DR. B. GOPALA REDDI: Shipping has already been mentioned in the Act. There is a separate section in it. It was originally 25 per cent, and now it has been enhanced to 40 per cent. After all, Sir, a ship cannot be compared with a jeep or a motor car. It may cost several crores of rupees whereas a motor car may cost only a few thousand rupees. And it was never meant to be given to automobiles or to road transport vehicles and things like that. Shipping is certainly different from road transport.

SHRI AKBAR ALI KHAN (Andhra Pradesh): Shipping needs it very badly.

DE. B. GOPALA REDDI: It is already given 40 per cent. We are not changing that section at all. Even with regard to buildings, suppose they put up huge buildings, they do not get any development rebate. I do not see why trucks, jeeps and station wagons should get the rebate. Depreciation is allowed on transport vehicles in the normal way—25 per cent, on trucks and lorries and 20 per cent, on motor cars.

With regard to 56A companies, Shri Bhupesh Gupta showed a big list and said that the list contained two pages. If he examines the original section, he will find that there is not much change. We are only trying to amplify it. They merely said, for instance, chemicals including fertilisers. We enumerated it. Likewise they said previously heavy machinery used in industry. We have again said machinery used in jute industry, textile industry, etc. We have exemplified it. We are not trying to do anything new. We are only trying to exemplify it. There are already 20 industries enjoying the 56A concession. It has nothing to do with interlocking. It has nothing to do with the parent and the subsidiary companies. Any company receiving dividend from another Indian company will not be subject to the super-tax because, for instance, it is paying the income-tax and supertax, it has declared dividend and the other company gets it. That dividend will be assessed only for income-tax and not for super-tax because it has already paid both previously and it may not be fair to include it again for both. That is the only concession a company gets. When it receives dividend from another Indian company, whether it may be a subsidiary or not, that dividend will be subject to income-tax only. But that company should be engaged in one of the industries enumerated; otherwise the dividend paid by it will not qualify itself for the exemption from super-tax. There are therefore two conditions, namely it must be an Indian company and must be engaged

in one of these industries and that dividend declared by that company will not be subject to super-tax. But as far as the industry is concerned, it will pay income-tax and super-tax and only the dividend declared to the other company will be free from super-tax. Therefore it has nothing to do with the inter-locking which the Company Law is trying to discourage and it has nothing to do with subsidiaries, etc. Therefore, I am sure the House will welcome the amending Bill and I may assure the House again that we are trying to expedite the other comprehensive Bill. It has to be drafted properly and at the earliest, I hope, we will introduce it in the November session, if it is ready; otherwise it has to be introduced only in February or so.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill further to amend the Indian Income-tax Act, 1922, the Wealth-tax Act, 1957, the Expenditure-tax Act, 1957 and the Gift-tax Act, 1958, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

MR. DEPUTY CHAIRMAN: We shall now take up the clause by clause consideration of the Bill.

Clauses 2 to 7 were added to the Bill.

Clause 8—Amendment of section 56A

SHRI BHUPESH GUPTA: Sir, I move.-

2. "That at pages 4 and 5, lines 7 to 36 and 1 to 35, respectively, be deleted."

(The amendment also stood in the name of Shri Rajendra Pratap Sinha.)

Sir, the hon. Minister just now touched on this particular clause and sought to justify it by saying that this is only an elucidation of the older section. I might as well ask as to why then it was necessary to amend it. If it were so logical that all that has been mentioned here is a mere elucidation of the original provision, then it was not necessary to bring in an amendment to clarify it. The Government could have done it by a notification. That is not so and the Minister knows it. So they have thought it fit to move this amendment and propose a long list. I do not say that in some cases it may not be interpreted as if it is an elucidation but there are certain other items which are new and which were not in the original but have now been added. Therefore, my amendment is to delete it. I have kept one. I am, in principle, against it but since I cannot give a negative amendment, therefore, I have kept one and cut out the rest. The hon. Minister said that they pay the taxes there and only on the dividends earned by the other company, there will not be super-tax. How kind he is! As everybody knows, the company has to pay taxes and if all these companies are given exemptions from super-tax, then the institution of super-tax will disappear. That much I understand. The question is as to why the dividend earned from a company in the list by another company should be exempt from super-tax because that company which is earning is, after all, earning an extra profit and which is something which is taxable. If there were individuals or shareholders, they would have to pay super-tax. Why this advantage is offered to a company just because it is a company when it earns profits from another company? Some thing has to be explained here. He says that any company can earn; well, I it is something like the American saying 'Anyone can become Henry Ford'. It is no good saying such things. We know that any company can earn but how many companies are there in our country that are in a position to take shares and invest in these industries, like the heavy

[Shri Bhupesh Gupta.] machinery industry, etc? The process of interlocking comes in, whether he likes it or not, when the company invests in such industries. It is not as if a sort of a small shop-keeper invests in something. Here is the chemical industry mentioned as one. Who will invest in it? The shares will be very costly and only rich people can invest. I gave some example of other goods and some groups. All these industries are the dominant industries and their shares will be very costly, if they are existing ones and if they are floated, then again the shares will go high. In this scheme of things only the richer or the monopolist or semi-monopolist concerns can operate. Therefore, it is no use saying that a small company can invest and get it. It is not so. This is one aspect.

The other is this that the interlocking process comes in and on a vertical global scale it is encouraged by this. Some companies are there. Look at the list. You will see that these would require big capital investment to be started or to be financed. Naturally, the big companies or business-houses would be in a position to invest where and when they will be earning lots of profit, and therefore they want to take control, as much as possible, of the industrial sector. Therefore, they will take advantage of this provision to start or float new companies or new subsidiaries under this list in order to get exemptions from super-tax and to have the profits earned from the subsidiaries free from super-tax. They will do that. Here will be a very profitable channel of investment on the one hand and there will be another opportunity for making more money and evade, not in law but in point of fact, the incidence of normal super-tax and taxation. That process will come in. Intentions do not matter here. That is the most important thing. So I say that interlocking will be encouraged by it. I do not say that it necessarily follows. Those who are in a position

to make such investments and go in for this type of investments would have greater advantage in this matter.

Take, for instance, the Tatas. They may say, "All right. We have got plenty of funds. Let us invest in chemicals." They might start subsidiaries because they know that the parent company would be free from taxation on the dividends it receives. What will happen is that when these subsidiary industries are started, the shares of the parent companies get boosted up. I was pointing out the case of the Mafatlal group where the parent company had its shares boosted up by the mere announcement that it was going to start a subsidiary industry. Naturally, people wanted to have shares of the subsidiary chemical industry but what they did was, instead of waiting on the queue and buying a share which they would not get, they went in for shares of the parent company so that automatically they could get one share of the subsidiary. Therefore, this boosts the shares of the parent company; this brings about speculation. This is a very unhealthy process, and I think this should not be permitted. You are not dealing with small people here. Here, it is a question of super-tax, and it relates only to the rich concerns and rich people. Why should they be exempted? They should pay more. Why should we show kindness to these rich people when the kindness has got to be shown to the small man, the small wage earner, the small government employees and the fixed income people in the lower income brackets. You are giving concession to the rich people. This is contrary to the declared policy. It helps economic concentration and concentration of power. It is no use trying to explain it away. If Government wants to do such a thing, why should there not be straight talk at least in debates? Why should there be an attempt to explain things away? Tell me, which are the small companies in India which have derived benefit from this arrangement? Could you name one? You cannot.

You always show concession to the rich concerns, and this process is going to be strengthened. This list should be given up. I know that you will not accept my amendment, but you always accept what we say on the floor of the House after three or four years, generally speaking. I can show from the proceedings that they reject things that we say here out of hand—they are brushed aside—but they accept them after an interval of three or four years. It takes a lot of time for them. I have to say these things because one must pursue them. I say that the hon. Minister should consider this thing. It is not right and it demoralises the public. Every time you bring in a taxation measure, you always show sympathy for the rich, you try to give concessions to the rich. Your solicitude is overflowing as far as the rich is concerned. Even when it comes to super-tax, you say, "All right. Take this concession". It is not good. He was talking about the platform. In Parliament, you give concessions to the rich, make them richer, and on the platform you make all kinds of speeches taking the name of Gandhiji ten times in the course of a single speech and saying all kinds of fine philosophical things. That is the kind of thing I do not like. He has been, Sir, in Santiniketan, and is a sort of poetic person, I am told.

DR. B. GOPALA REDDI: What has that got to do with the Bill here?

SHRI BHUPESH GUPTA: You seem to be a poetic person, but let not your flight of imagination carry you to such levels that you have to justify even such a thing by saying all these inanities that you uttered here. This is quite clear. Why don't you admit it? Face the fact that you are giving concessions to the rich. We may not like you, but the rich will like you at least. Why don't you admit it? Therefore, Sir, my amendment should be accepted. I know that the hon. Members opposite sympathise with what I am saying. I have my own doubts as to whether they will support my amendment, but I know

that they sympathise with what I say, because this is what they say outside, in the Consultative Committee, this is what they press upon the Minister in private talks. Now, the Minister goes against what they say, in the opposite direction. I oppose this clause and I, therefore, propose this amendment, and I would ask the House to accept it.

The question was proposed.

Du. B. GOPALA REDDI: The hon. Member has taken this occasion to carry on his usual tirade against the rich people. Let us examine this a bit more. Section 56A was inserted by the Finance Act of 1953, and for seven years this section has been there in the Statute Book, and the basic industries enumerated there, about twenty of them, are enjoying this concession. There is no question of exemption; the company as such pays income-tax and super-tax but when it declares a dividend, and if it is received by another company, then that company will not pay super-tax on this amount. That is all, it must pay tax on the other incomes.

SHRI BHUPESH GUPTA: Suppose the hon. Minister gives me a gift; he has to pay tax on that. I take that gift and give it to another person. Am I exempt from paying the gift-tax because you have already paid the tax?

Dn. B. GOPALA REDDI: It has nothing to do with the rich and the poor. Any individual can buy shares in a company, in a receiving company; a poor man also can be a shareholder in the earning company. Even poor people can buy shares in any company. Some companies have invested in some of these industries; all the industries are not exempted, only those basic industries mentioned in the list are exempted industries which require huge capital. It may be a small individual who has bought shares and it may be a big company that has bought shares, but if a company has bought shares and if it receives dividends from the other company where

[Dr. B. Gopala Reddi.] the tax has already been paid, then the receiving company will not pay any super-tax on this amount, that is all. This section has been there for the last seven years or so. Twenty industries are already enumerated here, and we have tried to exemplify them, perhaps add a small number, but there is no new concession that is sought to be given to anybody. There is also no question of rich or poor; even a *panwalla* can have a share. (Interruption) It is not always the rich who buy shares. If we examine the share register of companies, we will come across thousands of people who own shares and who are not rich. It is a concession given to a company which will ultimately accrue to all the shareholders, whether big or small.

SHRI BHUPESH GUPTA: If a *panwalla* buys a share, it is not he who gets this exemption; his company may get it.

DR. B. GOPALA REDDI: When his company gets it he also gets it; his share goes up in value and he will receive larger dividends indirectly. Directly also he is benefited. This section has been there for the last seven years, and it applies only to basic industries where huge capital is required. We will have to encourage people to put up such industries with these small concessions. I, therefore, oppose this amendment.

MR. DEPUTY CHAIRMAN: The question is:

2. "That at pages 4 and 5, lines 7 to 36 and 1 to 35, respectively, be deleted".

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 8 stand part of the Bill."

The motion was adopted. Clause 8 to be added to the Bill.

Clause 9—Insertion of new sections 59A and 59B

SHRI BHUPESH GUPTA: Sir, I move:

3. "That at page 7, lines 27-28, the words 'if he is satisfied that there are no circumstances justifying its refusal' be deleted".

This is the last amendment of ours. Mr. Sinha is not here. I would refer you to the clause as it stands now. It reads as follows:

"Where a person makes an application to the Commissioner in the prescribed form and after payment of the prescribed fee for information as to the amount of tax determined as payable . . ."

This relates to the disclosure of information regarding the tax payable. The first thing is that one should make an application and he has to pay a fee. This is certainly not communication. Here, you cannot say that you are publishing the names because one has to pay a fee in order to get, if at all he gets, the necessary information. It may be communication to an individual after compliance with certain rules for payment, etc., but certainly it is not publication. If it were publication for the public everybody should be in a position to get it and see it without incurring any expenditure. Secondly, here the application has to be made. And this complicates things. And even after that discretion is given to the Commissioner to decide whether to give it or not. Even after making the application and paying the fee, I may not get it should the Commissioner decide that I need not be given it. Therefore, the arbiter in this matter is the Commissioner himself and there is no legal obligation or mandatory obligation on him so to say to give it to me. Just now the hon. Minister was saying that one would not like to give this so that some people may abuse it. Some other Commissioners

may have other views; they may have their own reasons for denying it. Once they deny it, no doubt I can ask questions here and I can put the Commissioner into trouble in Parliament but there is no remedy for me to get it. 'I can't go to the High Court and say that the Commissioner has denied this to me and that I should be allowed to have it. I can make speeches here and the Minister may write a letter to the Commissioner to be a little moderate in this matter. But beyond that no remedy is there; the public will have no remedy whatsoever; That in itself is something objectionable. Why then should the Members of Parliament, why should I be left to the mercy of the Commissioner. Suppose I go there and ask for the information. Who is the Commissioner to judge whether I should get it or not? He may say no member of the Communist Party has got the right to get it. Has the Congress partyman got any right then? He has not got any right; he is on the same footing. Except for political considerations he is exactly on the same footing as any other Member of the House. This is what is going to happen and they call it publication. They would not lay it even on the Table of the House or place it even in the library for that matter. The Import-Export red book is placed. It is meant for the public. But they would not give this information. It is a farcial thing. I have read what Mr. Morarji Desai said. He said that the assessment would be given out to the public. He did not mention these qualifications. The public could have it; that is the impression which I got. But this provision is not in conformity with what Mr. Morarji Desai said in Bombay. If there is any doubt let the matter be referred to the Attorney-General as to whether this is in conformity with what Mr. Morarji Desai said in Bombay. Let his opinion be elicited over this matter in order to de-terming who is right, the hon. Minister or we speaking from this side of the House. I am prepared to abide by whatever interpretation is given

by the Attorney-General of Mr. Morarji Desai's speech. Sir, English words have their meaning and even the Finance Ministry with all its capacity for all kinds of things would not be in a position to change the natural meanings of English words. Sir, as I was saying, this discretion should go; otherwise this is not publication. If it is publication, the whole thing is there and you can go and have a look at it. 'In Sweden and other countries it is very easy of access. Anybody can go and see it. There are no such complications; time limit may be there. But there is no complicated procedure. Why then in India are they doing this? If this is done like this, nobody will be interested in it. The whole theme was publication; Mr. Morarji Desai's speech also indicates that. The point in making the information public is to attract public attention, is to make the public vigilant and to secure thereby through this instrument and mechanism the co-operation of the members of the public with regard to these assessments. Now, for example, suppose a list is there in Calcutta. It is with the Commissioner. Who will go there, make an application and then pay perhaps in the end to be told that he may not be given it? And supposing one gets it, it benefits only one person. Supposing, that is published in the town hall of Calcutta or in "The Statesman", shall I say, then everybody will know that in respect of 'X' so much assessment has been made and they will come to their own conclusions as to whether a correct declaration has been made by the party or not. And probably they may draw the attention of the income-tax authorities and say, 'Look here, we have seen this assessment with regard to 'X' and we think he has made a false statement of his income.' Then the process of law can be set in motion; you can make further investigations. The employees of the office of that person or those who are associated with him or his neighbours may come into the picture. What is more, the very fear in the person that his assessment will be

[Shri Bhupesh Gupta.] made public will be a deterrent in so far as his declaration of income goes. Surely, he will think twice before concealing his income and making a false declaration because he will know that once it is published thousands of eyes will be on it and he will be under the public gaze and that the people will be there who will take up the matter. You should have such co-operation from the public. I am not saying apply it in respect of all assesseees, even in respect of small assesseees but in the case of higher categories—and their number will be very small—let the whole thing be published and let the world have a look at it and judge for themselves. This is the suggestion. Every day we are talking about tax evasion, tax avoidance, financial stringency and so on. We talk of lack of resources and we advise our people to tighten their belt; we talk about more indirect taxation but why on earth can't we have some measures for mobilising public opinion against tax evasion, against those people who want to shirk their responsibilities to the exchequer especially in the higher ranks of the wealthy? But the hon. Minister would not accept this suggestion and he says that this provision is the same as Mr. Morarji Desai's statement. I am sure that if this discretion remains it will be used unjustly to cover up because always the officers can find excuses to deny the information and then produce long reports and notings to the hon. Minister for him to answer questions in Parliament. And denial will have taken place already and what is the meaning of answering questions or dealing with that when the exchequer would have been already denied what is due to it? Therefore, I say this is toying with an idea. It is flirting with the shadow while running away from the substance. Sir, all these measures are good in so far as they go compared to many other things that exist but I would not like this flirtation with big money that is going on in the Ministry of Finance. All these 13

years we have seen what is happening and we have put up with this kind of thing. All these 13 years they have allowed the taxes to be evaded, allowed people to rob the exchequer of what is due to it; all these 13 years we have seen how these millionaires become multi-millionaires. How long are we going to tolerate such things? Must we not take measures at least now when in the Third Plan . . .

MR. DEPUTY CHAIRMAN: That will do.

SHRI BHUPESH GUPTA: Will that do? Ask him. Therefore, Sir, I do not say that you can be misled by this. They do not want to make this public but still they want to create an impression that they are doing something whereas they are actually doing nothing. It is a concealment of concealment. That is what I say. Therefore, I commend my amendment to this House and I think hon. Members, barring those millionaires—there are only a very few of them here—would support this. Fortunately, we do not have too many millionaires; fortunately we have got one or two to get better acquaintance with them.

The question was proposed.

DR. B. GOPALA REDDI: Sir, the hon. Member is certainly flirting with the shadow leaving the substance. After all what is it that we are doing today? We are vesting in the Commissioner a little discretionary power. There again, it is said:

"... if he is satisfied that there are no circumstances justifying its refusal . . ."

SHRI BHUPESH GUPTA: It is a subjective thing.

DR. B. GOPALA REDDI: It goes on: —

"... furnish or cause to be furnished the information asked for."

"There is no doubt about it that information is given and in an exceptional case the Commissioner may use his discretion. If he is satisfied that there are no circumstances justifying its refusal, he will give the information. If he is satisfied that there is a circumstance justifying its refusal, then only he will refuse it. I am sure it will not be in a very large number of cases and the hon. Member need not apprehend that the Commissioners are going to refuse it to the members of the Communist party or they will give it to all the Congress member. The Commissioner does not bother about it, whether he is a Communist, a P.S.P. man or a Congressman. It gives him authority and he will discharge his duties. Ordinarily, any information that could be given will be given. After all that is the very purpose of this Bill. We want, as far as possible, to remove the secrecy provisions. Otherwise, the amending legislation has no meaning at all. We want to remove the secrecy provisions. We also want to have the power so that the Commissioner will use his discretion. So, the discretionary power may be vested in him. We are afraid of it that there are some professional people who try to get information and who try to do likewise. He is not one of them. He need not be afraid that the information will be refused to him. He is not one of those professional blackmailers. Therefore, people like that need not be under any misapprehension ordinarily.

SHRI BHUPESH GUPTA: I hate to go in for that. When you quarrel, you bring it out. I read the Congress papers. That is how I get your information.

DR. B. GOPALA REDDI: You get your information anyhow. Whether it is given to you or not, of course, you will get the information. There

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is no question of that. Therefore, the Commissioner, who is the head of the department, is responsible to the Government. After all he is not an independent authority. He is under the Board. He is under the Government. He is under Parliament. Parliament also can certainly put questions asking in how many cases information has been refused in Bombay, Calcutta and other places.

SHRI BHUPESH GUPTA: It will be more burden on the Parliament Secretariat.

DR. B. GOPALA REDDI: Therefore, this little power of withholding information in certain very rare cases must be with the Commissioner. As I said in the beginning, the Tyagi Committee also came to the same conclusion. In the New Zealand Act the same thing is provided for. I am reading from the New Zealand Act: —

"The Commissioner may in his discretion . . ."

MR. DEPUTY CHAIRMAN: He knows all that.

SHRI BHUPESH GUPTA: He has gone there and he is fond of New Zealand. It is good for milk.

DR. B. GOPALA REDDI: It says:

"The Commissioner may in his discretion omit from any list published under this section any reference to any taxpayer to whom sub-section (1) of this section applies, if the Commissioner is satisfied that before any investigation or enquiry has been commenced in respect of the offence or evasion of which the taxpayer is guilty . . ."

and so on and so forth. After all, some little discretionary power may be vested in the Commissioner. I can give the assurance that it will be used only in very rare, exceptional cases, where he is a confirmed black-

£Dr. B. Gopala Reddi.] mailer and he is trying to make money out of that. It it is not in the public interest, if it is not going to serve the purpose, then only the information will be withheld. Otherwise, we are also anxious that public conscience should be roused, public opinion must assert itself and the guilty person must be punished. That is the purpose of this amending Bill. We do not want to defeat our own provision by taking this unnecessary power. But that power is necessary, so that it can be used in very exceptional cases, and we should not be forced to give it under all circumstances. I think that this provision should be retained and, therefore, I oppose the amendment.

SHRI K. SANTHANAM (Madras): May I ask a question, Sir? Will the Commissioner be obliged to give the applicant a statement in writing giving the reasons for~?efusal?

DR. B. GOPALA REDDI: I do not think so. We shall examine it later when we make the rules.

MR. DEPUTY CHAIRMAN: The question is:

3. "That at page 7, lines 27-28, the the words 'if he is satisfied that there are no circumstances justifying its refusal' be deleted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 9 stand part of the Bill."

The motion was adopted.

Clause 9 was added to the Bill.

Clauses ID to 13 were added to the Bill.

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

DR. B. GOPALA REDDI: Sir, T move:

"That the Bill be returned."

The question was proposed.

SHRI BHUPESH GUPTA: Now, Sir, I have to say the last few words- I must explain why I oppose this in this manner and why "I wanted to make amendments in these two provisions. Here I felt that a vital question of policy was involved. When the Government was thinking of making a break from the past, I thought it was necessary to point out to the Government, to the country and to Parliament as to where they were going wrong. A break, I think. In fact is being made. That is why I said just now to the hon. Minister that this Bill would defeat its purpose. As far as the provision about disclosure is concerned, it will not work and if the purpose is to mobilise public opinion and rouse public conscience and get at the tax evader, that purpose will have been defeated, because in regard to the very provisions of the Bill he talked about blackmailer and so on. Am I to understand that somebody will go there and say "Well, Mr. "Commissioner, I, Mr. Blackmailer, have come here and please give me this thing."? Nobody will do that. If the blackmailer is interested in getting" such things, he will find out a very innocent looking man to go and approach him and get the information and then he may use it. Therefore, I think it requires a lot of naivete to imagine that the blackmailers will proceed in that manner. I think the hon. Minister does not suffer from such kind of childishness. I do not know why he gave that argument. Generally people will suffer. That is the point. The blackmailer knows how to blackmail. He will also know how to produce the statement. Otherwise, he would not be a blackmailer. As you know, blackmailers are very cunning people. They are sometimes more cunning than many in the Ministerial Benches

that way in certain fields. Therefore, do not bring forward any such arguments. Now, Sir, he said the Communist Party will get everything. This, is not a question of party. It is an insulting thing to me that I have to go to Bombay or to Calcutta to get it. Even I or any Member of Parliament out of the seven hundred Members in both Houses would not find it readily possible to do it. It is an insult. I can give you notice of questions. We shall give notice of questions, but the trouble is that the Ministry would not have to bear with them. The Parliament Secretariat will have to bear with it. At every session I will ask the question: "In how many cases refusals have been made regarding disclosure of information?" As long as I am here I will put questions—and I am giving notice of that to Government—and they will have to provide us with a complete list of disclosures and denials. But why put us to all this trouble? Was it necessary? No, it was not necessary. He has taken the example of New Zealand. He has made a slight excursion and ultimately landed in New Zealand and he said: "Look here, it is so in New Zealand." What about the Tyagi Committee's Report?

DR. B. GOPALA REDDI: They have made the same recommendation.

SHRI BHUPESH GUPTA: What about the other countries? What about Sweden? What about Norway and what about France? What about Italy? You said that in Italy things were good, things were improving and in another connection you made that statement. Why forget that and run after New Zealand in this connection? Is it because it suits the millionaire class that you have to cite New Zealand? It is not justified. It is an untenable position. This is the mentality which I do not like. The trouble with our Finance Ministry is this that they never listen to the Opposition. They are arrogant in such matters. They never listen to counsels of reason drawn from the very facts of life.

And once they have decided on a course of action, they think it must be absolutely perfect and nothing else could be perfect. Well, Sir, we have seen what results it has produced. Are we to put up with this kind of attitude and arrogance on the part of the Ministry? I would ask the Government to consider all these things which we have said in the course of the debate. And they have promised it. Now, you were here the other day when he said that in two or three months or four or five months, it would be done. Now, the Minister says that during the Budget Session it might be there. I should be lucky if they bring a Bill of this kind even in the beginning of the Budget Session. But since they are going to discuss it, I do not want to say anything more and press, it. I think the criticisms made against the operation of the income-tax department and the administration of the laws and so on by members of the public and by expert people from other knowledgeable circles should be thoroughly gone into, and there should not be any wrong type of tampering with the Tyagi Committee's Report. You improve upon it if you can, but all salutary and good recommendations should be proposed in the form of a law before this House so that we can get out of the mess which is filled with corruption, malpractices, evasion of taxes, manipulations and so on, and have better days in the matter of administration of income-tax department, in the administration of taxation laws, and so on.

DR. B. GOPALA REDDI: Sir, let the hon. Member have the satisfaction of having the last word on the subject.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be returned."

The motion was adopted.

MR. DEPUTY CHAIRMAN: The House stands adjourned till 2-30 P.M.

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

The House reassembled after lunch at half past two of the clock, Mr. Deputy Chairman in the Chair.

THE TRIPURA MUNICIPAL LAW (REPEAL) BILL, 1960

THE MINISTER OF HEALTH (SHRI D. P. KARMARKAR): Sir, I beg to move:

"That the Bill to provide for the repeal of the municipal law in force in the Union territory of Tripura, as passed by the Lok Sabha, be taken into consideration."

Sir, I should like to say a few words regarding the objects of this very simple Bill which, I am hoping, will admit of no controversy.

The Tripura Municipal Act, 1349 T.E. (1939) under which the Agartala Municipal Committee has been constituted was enacted during the ex-Maharaja's regime. At the time the Tripura Municipal Act was enacted, Agartala, the chief town of the State was a very small one. Since then there has been a great change. The population has increased considerably, business has expanded and the town is fast developing. The Tripura Municipal Act which is now in force does not meet the requirements of a modern municipal town.

The powers of taxation under the Tripura Municipal Act are extremely limited and the method of valuation of holdings is defective. There is not even an adequate provision in the Act for levy of taxes for street lighting and for water supply etc. The Act also does not empower the Agartala Municipal Committee to exercise its functions like the removal of encroachments on municipal land.

The Agartala Municipal Committee is not self supporting. With its present income, the Municipal Committee cannot balance its budget and its condition may be said to be precarious from the financial point of view. The Municipal Committee receives subvention from the Central Government.

The inhabitants of the town have been agitating for a long time for the introduction of a more progressive municipal legislation, as the existing Municipal Act is insufficient and confusing in respect of election matters. All the Commissioners of Agartala Municipal Committee resigned *en bloc* on the 25th April, 1955, and the administration of the Committee was taken over by the Chief Commissioner, Tripura.

In view of the above circumstances, it is considered desirable to replace that Act by extending the Bengal Municipal Act, 1932 (Bengal Act XV of 1932), which is more exhaustive to Tripura.

Under section 2 of the Union Territories (Laws) Act, 1950, an enactment in force in a State may be extended to the Union territory by notification, but the corresponding law in force in the Union territory cannot be so repealed. Hence the Bill which provides that on the day on which the Bengal Municipal Act, 1932, is extended to Tripura, the Tripura State Municipal Act, 1349 T.E. shall stand repealed.

Sir, the Tripura Municipal Law (Repeal) Bill, 1960, was introduced in the Lok Sabha on the 22nd February and was passed by the Lok Sabha on the 3rd August 1960. This Bill, when enacted, will enable the Agartala Municipal Committee to function efficiently with larger sources of income.

The question was proposed.

श्री निरंजन सिंह (मध्य प्रदेश) :
उपसभापति महोदय, जो बिल हमारे सामने